

**CITY OF WESTMINSTER, CALIFORNIA**  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
**WITH REPORT ON AUDIT**  
**BY INDEPENDENT**  
**CERTIFIED PUBLIC ACCOUNTANTS**

**JUNE 30, 2004**

**Prepared by:**

**Department of Finance**

**Steve Klotzsche**  
**Interim Finance Director**

# CITY OF WESTMINSTER

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# City of Westminster

CIVIC CENTER  
8200 WESTMINSTER BOULEVARD  
WESTMINSTER, CALIFORNIA 92683  
(714) 898-3311

December 1, 2004

MARGIE L. RICE  
MAYOR

ANDY QUACH  
MAYOR PRO TEM

FRANK G. FRY  
COUNCIL MEMBER

KERMIT D. MARSH  
COUNCIL MEMBER

RUSSELL C. PARIS  
COUNCIL MEMBER

To the Honorable Mayor, Members of the City Council and Citizens of the City of Westminster:

State law requires that all general-purpose local governments publish within six months of the close of each fiscal year a complete set of financial statements presented in conformity with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants. Pursuant to that requirement, we hereby issue the comprehensive annual financial report of the City of Westminster for the fiscal year ended June 30, 2004.

This report consists of management's representations concerning the finances of the City of Westminster. Consequently, management assumes full responsibility for the completeness and reliability of all of the information presented in this report. To provide a reasonable basis for making these representations, management of the City of Westminster has established a comprehensive internal control framework that is designed both to protect the government's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the City of Westminster's financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the City of Westminster's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

The City of Westminster's financial statements have been audited by Diehl Evans & Co., LLP, a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City of Westminster for the fiscal year ended June 30, 2004, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the City of Westminster's financial statements for the fiscal year ended June 30, 2004, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

The independent audit of the financial statements of the City of Westminster was part of a broader, federally mandated “Single Audit” designed to meet the special needs of federal grantor agencies. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the audited government’s internal controls and compliance with legal requirements, with special emphasis on internal controls and legal requirements involving the administration of federal awards. These reports are available in the City of Westminster’s separately issued Single Audit Report.

GAAP require that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management’s Discussion and Analysis (MD&A). This letter of transmittal is designed to complement MD&A and should be read in conjunction with it. The City of Westminster’s MD&A can be found immediately following the report of the independent auditors.

### **Profile of the City of Westminster**

The City of Westminster, incorporated in 1957, is located in the northeast corner of Orange County. The City of Westminster currently occupies a land area of 10.6 square miles and serves a population of 91,464.

The City of Westminster operates under the council-manager form of government. Policymaking and legislative authority are vested in the City Council, which consists of the Mayor and four Council members. The City Council is responsible, among other things, for passing ordinances, adopting the budget, appointing committees, hiring the City Manager and appointing the City Attorney. The City Manager is responsible for carrying out the policies and ordinances of the City Council, for overseeing the day-to-day operations of the government and for appointing the heads of the City departments. The City Council is elected, at large, on a non-partisan basis. The Mayor is elected, at large, to serve a two-year term. Council Members serve four-year staggered terms, with two Council Members elected every two years.

The City of Westminster provides a full range of services, including police, fire protection (as a contract member of the Orange County Fire Authority), water utility, street and infrastructure maintenance and construction, recreational and cultural services, planning and community development and general administration. The City of Westminster also is financially accountable for the legally separate Westminster Redevelopment Agency and the Westminster Financing Authority. The City has accounted for the Agency and Authority as “blended” component units and therefore they have been included as an integral part of the City of Westminster’s financial statements.

The annual budget serves as the foundation for the City of Westminster's financial planning and control. All departments of the City of Westminster are required to submit requests for appropriation to the City Manager each year. The City Manager uses these requests as the starting point for developing a proposed budget. The City Manager then presents this proposed budget to the City Council for review. The City Council is required to hold public hearings on the proposed budget and to adopt a final budget no later than June 30, the close of the City of Westminster's fiscal year. The appropriated budget is prepared by fund (e.g., general), department (e.g., public works), and program (e.g., engineering). Department heads may make transfers of appropriations within a department. Transfers of appropriations between departments within the same fund require the City Manager's approval. Transfers between funds, however, require approval of the City Council. Budget-to-actual comparisons are provided in this report for each individual governmental fund for which an appropriated annual budget has been adopted. For the general fund, this comparison is presented on page 81 as part of the required supplementary information portion of the basic financial statements for the governmental funds. For other funds with appropriated annual budgets, this comparison is presented beginning on page 82 of this report.

### **Factors Affecting Financial Condition**

The information presented in the financial statements is perhaps best understood when it is considered from the broader perspective of the specific environment within which the City of Westminster operates.

**Local Economy.** The City of Westminster continues to enjoy a healthy financial climate as a result of its central geographic location within West Orange County and its diversified commercial, retail and industrial base. For nine of the last ten years, the City has seen an increase in sales tax also due to its economic diversity and a large number of small to medium-size businesses that generate consistent revenue in spite of area and statewide changes in the economy. The City continues to draw major new retail investors including construction of a new retail center at with Starbucks, Subway and Walgreen's as the primary tenants. Housing developers are attracted to Westminster as well because of its excellent location, mild weather, quality schools, wide variety of shopping experiences and easy access to all of Orange County and surrounding areas. Within the last year two affordable apartment projects for seniors with a total of 98 units were completed. And, construction began on the "Intergenerational" housing project on 13<sup>th</sup> Street that will be a combination of affordable senior and family housing with a total of 85 units.

**State Budget.** As part of the adopted State budget, cities and redevelopment agencies will help the state solve its budget crisis by giving up \$1.3 billion in local revenues in both fiscal year 2004-05 and 2005-06. The City's share in this will be approximately \$4.6 million. This total includes Vehicle license fees, as well as ERAF and ERAF III funds. In November 2004, voters overwhelmingly passed Proposition 1A, which allows State government to *borrow*, but not take City funds during a fiscal emergency.

**Cash Management.** Cash temporarily idle during the year was invested in instruments permitted under Section 53600 of the California Government Code and the City's adopted investment policy. Permitted investments include demand deposits, certificates of deposit, obligations of the U.S. Treasury and agencies, as well as high-grade commercial paper and banker's acceptances. Average yield for investments was 2.56% for fiscal year 2004.

**Risk Management.** The City maintains self-insurance programs for workers' compensation and general liability as part of its comprehensive risk management program. The city is self-insured for worker's compensation up to \$275,000 per person per occurrence. General liability self-insurance is limited to the first \$350,000 of liability per occurrence. Excess coverage is maintained through the California Insurance Pool Authority (CIPA), a consortium of eleven cities in California organized to pool resources and share risks, as well as the costs of professional risk management and claims administration. Excess coverage is maintained in the amounts of \$5,000,000 and \$20,000,000 annual aggregate for worker's compensation and general liability, respectively. The City has accrued a liability for all known general and workers' compensation claims as of June 30, 2004. In addition, estimated amounts for claims incurred, but not yet reported, have also been accrued.

**Pension and Other Postemployment Benefits.** The City of Westminster is a member of the California Public Employees Retirement System (CalPERS). CalPERS sets the contribution rates for the City's represented and non-represented employee groups. Participants are required to contribute 7%-9% of their annual covered salary. The City makes contributions required of City employees on their behalf and for their account. The City is required to contribute the actuarially determined remaining amounts necessary to fund the benefits for its members. The actuarial methods and assumptions used are those adopted by the CalPERS Board of Administration. The contribution requirements of the plan members are established by State statute and the employer contribution rate is established and may be amended by CalPERS. As a result of continued CalPERS investment losses and previously approved enhancements to the benefit plans, the City anticipates significant increases to the employer contribution rate in the next fiscal year.

The City of Westminster also provides postretirement health, dental and life benefits for retirees. As of the end of the current fiscal year, there were 205 retired employees receiving these benefits, which are financed on a pay-as-you-go basis. GAAP do not require governments to report a liability in the financial statements in connection with an employer's obligation to provide these benefits.

Additional information on the City of Westminster's pension arrangements and postemployment benefits can be found in Notes 11 and 12 in the notes to the financial statements.

## **Awards and Acknowledgements**

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Westminster for its comprehensive annual financial report (CAFR) for the fiscal year ended June 30, 2003. This was the eleventh consecutive year that the City has received this prestigious award. In order to be awarded a Certificate of Achievement, the City published an easily readable and efficiently organized CAFR. This report satisfied both GAAP and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current CAFR continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

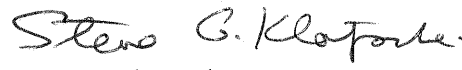
The City was also awarded the Certificate of Award for Outstanding Financial reporting by the California Society of Municipal Finance Officers (CSMFO).

In addition, the City also received the GFOA's Distinguished Budget Presentation Award for its annual budget document dated June 4, 2003. In order to qualify for the Distinguished Budget Presentation Award, the government's budget document was judged to be proficient in several categories, including as a policy document, a financial plan, an operations guide, and a communications device.

The preparation of this report would not have been possible without the efficient and dedicated services of a number of City staff and departments, especially the Finance Department. We would like to express our appreciation to all members of the City staff who assisted and contributed to the preparation of this report. Credit also must be given to the Mayor and the Council Members for their unfailing support for maintaining the highest standards of professionalism in the management of the City of Westminster's finances.

Respectfully submitted,

  
Vangie Schock  
City Manager

  
Steve Klotzsche  
Interim Finance Director

## **CITY OF WESTMINSTER**

### **Principal Officials**

## **CITY COUNCIL**

MARGIE L. RICE, Mayor

ANDY QUACH, Mayor Pro Tem

FRANK G. FRY, Council Member

KERMIT MARSH, Council Member

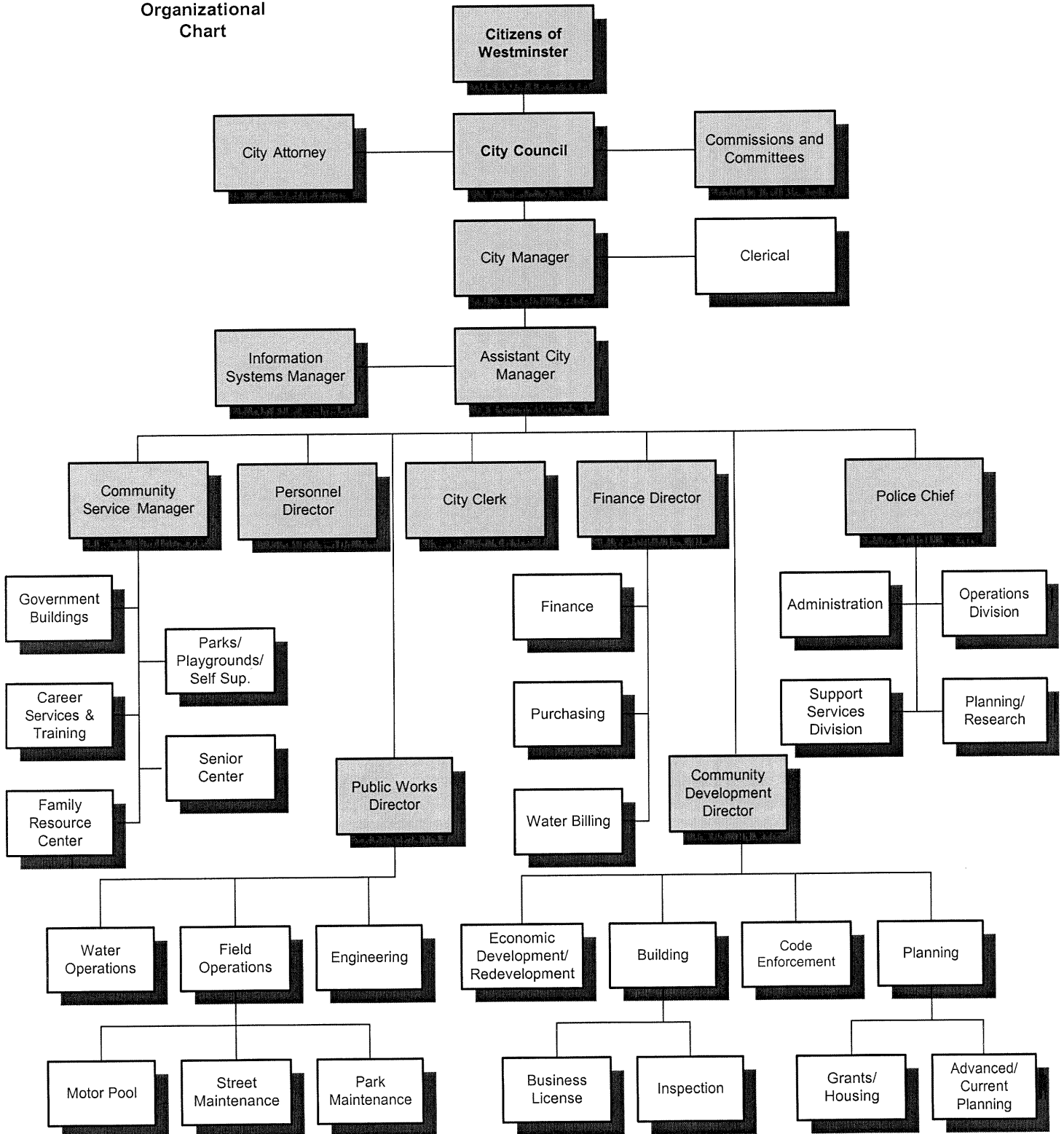
RUSSELL C. PARIS, Council Member

## **CITY STAFF**

Vangie Schock	City Manager
Penny Loomer	Assistant City Manager
Richard D. Jones	City Attorney
Don Anderson	Community Development Director
Andrew Hall	Police Chief
Marwan Youssef	Interim Public Works Director
Marian Contreras	City Clerk
Steve Klotzsche	Interim Finance Director
Pat Corcoran	Director of Personnel & Risk Management



**City of Westminster  
Organizational  
Chart**



# Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Westminster,  
California

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
June 30, 2003

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



A handwritten signature in black ink, appearing to read "Edward Haney".

President

A handwritten signature in black ink, appearing to read "Jeffrey R. Emer".

Executive Director



# California Society of Municipal Finance Officers

Certificate of Award

*Outstanding Financial Reporting 2002-2003*

Presented to the

*City of Westminster*

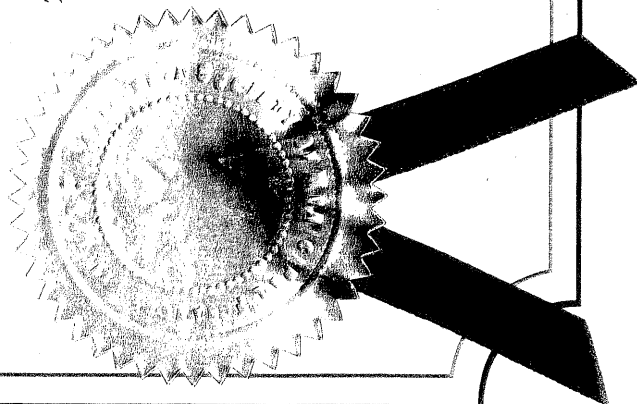
*This certificate is issued in recognition of meeting professional standards and criteria in reporting  
which reflect a high level of quality in the annual financial statements  
and in the underlying accounting system from which the reports were prepared.*

*March 1, 2004*

*Bret M. Smiley*

Chair, Professional & Technical Standards Committee

*Dedicated to Excellence in Municipal Financial Management*



**CITY OF WESTMINSTER**

Comprehensive Annual Financial Report

June 30, 2004

Financial Section



# DIEHL, EVANS & COMPANY, LLP

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\*A PROFESSIONAL CORPORATION

September 29, 2004

## INDEPENDENT AUDITORS' REPORT

City Council Members  
City of Westminster  
Westminster, California

We have audited the accompanying financial statements of the governmental activities, the business-type activity, each major fund, and the aggregate remaining fund information of the City of Westminster, as of and for the year ended June 30, 2004, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Westminster's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activity, each major fund, and the aggregate remaining fund information of the City of Westminster, as of June 30, 2004, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated September 29, 2004 on our consideration of the City of Westminster's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

The management's discussion and analysis and the budgetary comparison information are not a required part of the basic financial statements but are supplementary information required by the accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Westminster's basic financial statements. The introductory section, supplementary information and statistical section as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion is fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and statistical section have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

*Dieter Evans and Company, LLP*

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

As management of the City of Westminster (City), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2004. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found in the Introductory Section of this report.

### **FINANCIAL HIGHLIGHTS**

- City assets exceeded its liabilities at the close of fiscal year 2003-04 by \$191.1 million (net assets). Of this amount, \$58.5 million (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.
- City total net assets increased by \$8.6 million during the fiscal year. This is mostly due to a revenue increase of \$3.7 million, which was provided from the Infrastructure Revitalization Project (a new revenue source beginning in fiscal year 2001-02), as well as, revenues being greater than operating expenses.
- At the close of fiscal year 2003-04, City governmental funds reported combined ending fund balance of \$83.1 million, an increase of \$12.1 million, in comparison with the prior year. \$63.2 million is unreserved and is available for spending at the City's discretion.
- At the end of fiscal year 2003-04, unreserved fund balance for the General Fund was \$13.9 million, or 40 percent of total General Fund expenditures.
- Total City debt (excluding capitalized leases, compensated absences and claims liabilities) increased by \$4.2 million (7 percent increase) during fiscal year 2003-04. Changes in debt consisted of a new loan funded at \$5.9 million to the Westminster Redevelopment Agency to provide for the financing of the Westminster Rose Cultural Center, a note payable funded at \$300,000 to the Westminster Redevelopment Agency Low and Moderate Income Housing Fund, and \$2.2 million in principal reduction payments.

### **OVERVIEW OF THE FINANCIAL STATEMENTS**

This discussion and analysis are intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements are comprised of three components: 1) government-wide financial statements, (2) fund financial statements, and (3) notes to the basic financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

See accompanying independent auditor's report.

## **Government-wide financial statements**

The government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

The statement of net assets presents information on all of the City's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The statement of activities presents information showing how the City's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, all of the current year's revenues and expenses are taken into account regardless of when cash is received or paid (e.g., uncollected taxes or earned but unused vacation leave).

Government-wide financial statements distinguish City governmental activities that are principally supported by taxes and intergovernmental revenues from other business-type activities that are intended to recover all or a significant portion of their costs through user fees and charges. Governmental activities of the City and the Westminster Redevelopment Agency, a blended component unit, include general government, public safety, community development, community services and public works. A business-type activity of the City includes the water utility.

The government-wide financial statements can be found on pages 21-23 of this report.

## **Fund financial statements**

Fund financial statements are designed to report information about groupings of related accounts used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. City funds can be divided into three categories: governmental funds, proprietary funds and fiduciary funds.

**Governmental funds** are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

See accompanying independent auditor's report.

The City maintains several individual governmental funds organized by their type (special revenue, debt service and capital projects funds). Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General, Community Promotion, Housing and Community Development, Westminster Redevelopment Agency Debt Service, Westminster Redevelopment Agency Capital Projects, and Capital Improvement Capital Projects funds, which are considered to be major funds. Data from the remaining governmental funds are combined into a single, aggregated presentation. Individual fund data for each of the non-major governmental funds is provided in the form of combining statements beginning on page 85 of this report.

The City adopts an annual appropriated budget for its General Fund and special revenue funds. Budgetary comparison statements have been provided to demonstrate compliance with this budget. These statements begin on page 81 of this report.

The basic governmental fund financial statements can be found on pages 24-30 of this report.

**Proprietary funds** are generally used to account for services for which the City charges outside customers, or internal departments of the City. Proprietary funds provide the same type of information as shown in the government-wide statements, only in more detail. The City maintains the following two types of proprietary funds:

- **Enterprise funds** are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses an enterprise fund to account for the operations of water services.
- **Internal service funds** are used to report activities that provide internal services for the City. The City uses internal service funds to account for its equipment replacement, general benefits, liability administration, information systems and equipment and government buildings. Because internal service funds predominantly benefit governmental rather than business-type functions, they have been included within governmental activities in the government-wide financial statements. The internal service funds are combined into a single, aggregated presentation in the proprietary fund financial statements. Individual fund data for the internal service funds is provided in the form of combining statements beginning on page 99 of this report.

The basic proprietary fund financial statements can be found on pages 31-35 of this report.

**Fiduciary funds** are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support the City's own programs.

The basic fiduciary fund financial statements can be found on page 36 of this report.

### **Notes to the basic financial statements**

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the basic financial statements can be found on pages 37-79 of this report.

See accompanying independent auditor's report.

## Other information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information which includes Budgetary Comparison Schedules for the General Fund, the Community Promotion Special Revenue Fund and the Housing and Community Development Special Revenue Fund. Required supplementary information can be found on pages 81-84 of this report.

Combining statements for non-major governmental funds, internal service funds and agency funds and budgetary comparison schedules for certain individual funds are presented immediately following the required supplementary information. Combining financial statements and schedules can be found on pages 85-107 of this report.

## **GOVERNMENT-WIDE FINANCIAL ANALYSIS**

The City has presented its financial statements under the new reporting model required by the Governmental Accounting Standards Board Statement No. 34 (GASB 34), Basic Financial Statements – and Management’s Discussion and Analysis (MD&A) – for State and Local Governments.

As noted earlier, net assets may serve over time as a useful indicator of a government’s financial position. City assets exceeded liabilities by \$191.1 million at the close of fiscal year 2003-04. This is an increase of \$8.6 million from fiscal year 2002-03 as summarized on the following pages:

### Statement of Net Assets\*

	Governmental Activities			
	June 30, 2004	June 30, 2003	Increase/ (Decrease) From 02/03	Percent Increase/ (Decrease)
Assets:				
Current and other assets	\$112,180,456	\$97,478,744	\$14,701,712	15.08%
Capital assets (net of depreciation)	112,572,433	113,940,830	(1,368,397)	-1.20%
Total assets	224,752,889	211,419,574	13,333,315	6.31%
Liabilities:				
Current and other liabilities	18,009,709	16,299,611	1,710,098	10.49%
Long-term liabilities outstanding	50,217,008	47,128,704	3,088,304	6.55%
Total liabilities	68,226,717	63,428,315	4,798,402	7.57%
Net assets:				
Invested in capital assets, net of related debt	66,853,270	66,448,133	405,137	0.61%
Restricted	33,729,348	27,334,806	6,394,542	23.39%
Unrestricted	55,943,554	54,208,320	1,735,234	3.20%
Total net assets	\$156,526,172	\$147,991,259	\$8,534,913	5.77%

\* A more detailed statement of net assets is shown on page 21 of this report.

See accompanying independent auditor’s report.



**Governmental activities** had the greatest changes occur in “Current and other assets”, “Current and other liabilities”, and “Restricted net assets”. The majority of change in “Current and other assets” is due to an increase of \$11.5 million in “Cash and investments”. This is attributable to receipts of \$6.2 million in bond proceeds from the issuance of new debt, as well as \$2.2 million in proceeds from the sale of assets.

The issuance of new debt contributed to the City’s increase in “Current and other liabilities”. “Long-term liabilities, due within one year”, increased \$2.1 million, and is expected to continue rising for the next three years, at which time the new debt will be paid in full. In addition to increasing both current assets and liabilities, the new debt caused an increase in “Restricted net assets”. The Debt Service restriction increased y \$2.7 million, and the Capital Projects restriction increased by \$2.9 million.

Statement of Net Assets\*  
(Continued)

	Business-type Activity			
	June 30, 2004	June 30, 2003	Increase/ (Decrease) From 02/03	Percent Increase/ (Decrease)
<b>Assets:</b>				
Current and other assets	\$ 4,078,920	\$ 3,041,755	\$ 1,037,165	34.10%
Capital assets (net of depreciation)	40,098,541	41,076,299	(977,758)	-2.38%
Total assets	44,177,461	44,118,054	59,407	0.13%
<b>Liabilities:</b>				
Current and other liabilities	1,546,374	1,231,824	314,550	25.54%
Long-term liabilities outstanding	8,077,775	8,365,992	(288,217)	-3.45%
Total liabilities	9,624,149	9,597,816	26,333	0.27%
<b>Net assets:</b>				
Invested in capital assets, net of related debt	31,616,482	32,325,680	(709,198)	-2.19%
Restricted	355,111	357,139	(2,028)	-0.57%
Unrestricted	2,581,719	1,837,419	744,300	40.51%
Total net assets	\$34,553,312	\$34,520,238	\$ 33,074	0.10%

\* A more detailed statement of net assets is shown on page 21 of this report.

**Business-type activity** remained static for fiscal years 2002/03 and 2003/04. While current assets and liabilities increased, they were almost entirely offset by decreases in long-term assets and liabilities, resulting in a .1% increase in “Total net assets”. In an era of increasing costs, the City is making a great effort to maintain customer services while keeping water rate increases to a minimum.

See accompanying independent auditor’s report.

Statement of Net Assets\*  
(Continued)

	Primary Government			
	June 30, 2004	June 30, 2003	Increase/ (Decrease) From 02/03	Percent Increase/ (Decrease)
Assets:				
Current and other assets	\$116,259,376	\$100,520,499	\$15,738,877	15.66%
Capital assets (net of depreciation)	152,670,974	155,017,129	(2,346,155)	-1.51%
Total assets	<u>268,930,350</u>	<u>255,537,628</u>	<u>13,392,722</u>	5.24%
Liabilities:				
Current and other liabilities	19,556,083	17,531,435	2,024,648	11.55%
Long-term liabilities outstanding	58,294,783	55,494,696	2,800,087	5.05%
Total liabilities	<u>77,850,866</u>	<u>73,026,131</u>	<u>4,824,735</u>	6.61%
Net assets:				
Invested in capital assets, net of related debt	98,469,752	98,773,813	(304,061)	-0.31%
Restricted	34,084,459	27,691,945	6,392,514	23.08%
Unrestricted	58,525,273	56,045,739	2,479,534	4.42%
Total net assets	<u>\$191,079,484</u>	<u>\$182,511,497</u>	<u>\$8,567,987</u>	4.69%

\* A more detailed statement of net assets is shown on page 21 of this report.

The largest portion (51.5 percent) of the City's net assets reflects its investment of \$98.5 million in capital assets (land, buildings and improvements, equipment, infrastructure, and construction in progress, net of accumulated depreciation); less any related outstanding debt used to acquire those assets. This is an overall decrease of \$304 thousand, or .31 percent from the prior year. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in capital assets is reported net of related debt, resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Another portion of the City's net assets (\$34.1 million or 17.8 percent) represents resources that are subject to external restrictions on how they may be used. This is a \$6.4 million, or 23.1 percent increase from the prior year. The City's unrestricted net assets of \$58.5 million increased \$2.5 million or 4.4 percent from the prior year. These funds may be used to meet the government's ongoing obligations to citizens, creditors, and to meet City imposed designations (e.g., reserves, pending litigations, contingencies, capital projects).

At the end of fiscal year 2003-04, the City shows positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental activities and business-type activity.

See accompanying independent auditor's report.

## Statement of Activities

The statement of activities shows how the government's net assets changed during fiscal year 2003-04. The City's net assets increased overall by \$8.6 million during the current fiscal year as summarized on the following pages:

### Statement of Activities\*

	Governmental Activities			
	For the year ended		Increase/	Percent
	June 30, 2004	June 30, 2003	(Decrease) From 02/03	Increase/ (Decrease)
Revenues:				
Program revenues:				
Charges for services	\$ 8,045,386	\$ 7,724,109	\$ 321,277	4.16%
Operating grants and contributions	5,958,376	7,556,590	(1,598,214)	-21.15%
Capital grants and contributions	216,666	1,442,637	(1,225,971)	-84.98%
General revenues:				
Taxes	50,509,617	44,898,817	5,610,800	12.50%
Unrestricted investment earnings	770,069	1,652,947	(882,878)	-53.41%
Miscellaneous	-	443,502	(443,502)	-100.00%
Total Revenues	<u>65,500,114</u>	<u>63,718,602</u>	<u>1,781,512</u>	2.80%
Expenses:				
General government	6,433,847	4,392,839	2,041,008	46.46%
Public safety	28,682,303	27,244,747	1,437,556	5.28%
Public works	3,600,981	5,435,120	(1,834,139)	-33.75%
Community development	14,275,910	10,286,472	3,989,438	38.78%
Community services	1,862,386	2,027,702	(165,316)	-8.15%
Interest on long term debt	2,303,688	2,397,431	(93,743)	-3.91%
Total Expenses	<u>57,159,115</u>	<u>51,784,311</u>	<u>5,374,804</u>	10.38%
Increase in net assets before transfers	8,340,999	11,934,291	(3,593,292)	-30.11%
Transfers	<u>193,914</u>	<u>523,987</u>	<u>(330,073)</u>	-62.99%
Increase in net assets	8,534,913	12,458,278	(3,923,365)	-31.49%
Net assets - Beginning of Year	<u>147,991,259</u>	<u>135,532,981</u>	<u>12,458,278</u>	9.19%
Net assets - End of Year	<u>\$156,526,172</u>	<u>\$147,991,259</u>	<u>\$8,534,913</u>	5.77%

\* A more detailed statement of activities is shown on pages 23-23 of this report.

See accompanying independent auditor's report.

**Governmental activities** increased the City's net assets by \$8.5 million, thereby accounting for 99.6 percent of the total growth in City net assets. Public safety remains the largest expense function (51.5 percent), followed by community development (23.0 percent), general government (11.6 percent), public works (6.5 percent), interest on long-term debt (4.1 percent) and community services (3.3 percent). General revenues such as property and sales tax are not shown by program, but are effectively used to support program activities citywide.

Operating expenses were impacted by contractually obligated salary and benefit increases. The most significant impacts to the operating costs of the City are the result of an increase in the PERS employer rate for retirement costs and the contractually obligated medical costs. The Orange County Fire Authority (OCFA) costs also increased 3.5 percent due to contract obligations. The City also shares in the cost of the 800 MHz countrywide communication system pursuant to a contract that was signed in the mid-1990s.

Capital project costs have increased \$3.4 million. A majority of the capital projects were provided funding through the Infrastructure Revitalization Project (IRP). These funds are used to provide repairs for residential street and right-of-ways, some water system improvements, as well as a portion to the Westminster Rose Cultural Center.

While trends show most revenues decreasing, IRP funds provided the City with an additional \$3.7 million during the current fiscal year. "Charges for services" increased slightly due to minor increases in some fees, to offset rising costs. Sales tax revenue has increased nine of the last ten years, with the current fiscal year receiving an increase of \$690 thousand. These three revenue sources have allowed revenues to remain fairly static despite continuing decreases in "Investment income", and "Intergovernmental" type revenues.

Statement of Activities\*  
(Continued)

	Business-type Activity			
	For the year ended		Increase/ (Decrease) From 02/03	Percent Increase/ (Decrease)
	June 30, 2004	June 30, 2003		
Revenues:				
Program revenues:				
Charges for services	\$10,162,780	\$ 9,489,236	\$ 673,544	7.10%
General revenues:				
Unrestricted investment earnings	141,345	147,781	(6,436)	-4.36%
Miscellaneous	746	1,580,171	(1,579,425)	-99.95%
Total Revenues	<u>10,304,871</u>	<u>11,217,188</u>	<u>(912,317)</u>	-8.13%
Expenses:				
Water enterprise	<u>10,077,883</u>	<u>8,871,713</u>	<u>1,206,170</u>	13.60%
Total Expenses	<u>10,077,883</u>	<u>8,871,713</u>	<u>1,206,170</u>	13.60%
Increase in net assets before transfers	226,988	2,345,475	(2,118,487)	-90.32%
Transfers	<u>(193,914)</u>	<u>(523,987)</u>	<u>330,073</u>	-62.99%
Increase in net assets	33,074	1,821,488	(1,788,414)	-98.18%
Net assets - Beginning of Year	<u>34,520,238</u>	<u>32,698,750</u>	<u>1,821,488</u>	5.57%
Net assets - End of Year	<u>\$34,553,312</u>	<u>\$34,520,238</u>	<u>\$ 33,074</u>	0.10%

\* A more detailed statement of activities is shown on pages 22-23 of this report.

See accompanying independent auditor's report.

**Business-type activities** increased the City's net assets by \$33.1 thousand, accounting .4 percent of the total growth in City net assets. The Water Utility Fund had a static year with revenue of \$10.3 million and operating expenses of \$10.1 million. For the water utility, fees provide the largest share of revenues (98.6 percent).

The Water Utility's operating expense will be increased again this year by "pass-through" costs resulting from the decision of the Orange County Water District to increase the replenishment assessment from \$149/acre foot to \$172/acre foot of water pumped. The cost of purchased water has also increased. The salary and benefit portion of the water utility's operating expenses has also increased due to the increase in employer rate for PERS retirement costs and the increased costs for medical.

Statement of Activities\*  
(Continued)

	Primary Government			
	For the year ended		Increase/ (Decrease)	Percent Increase/ (Decrease)
	June 30, 2004	June 30, 2003	From 02/03	
Revenues:				
Program revenues:				
Charges for services	\$18,208,166	\$17,213,345	\$ 994,821	5.78%
Operating grants and contributions	5,958,376	7,556,590	(1,598,214)	-21.15%
Capital grants and contributions	216,666	1,442,637	(1,225,971)	-84.98%
General revenues:				
Taxes	50,509,617	44,898,817	5,610,800	12.50%
Unrestricted investment earnings	911,414	1,800,728	(889,314)	-49.39%
Miscellaneous	746	2,023,673	(2,022,927)	-99.96%
Total Revenues	<u>75,804,985</u>	<u>74,935,790</u>	<u>869,195</u>	1.16%
Expenses:				
General government	6,433,847	4,392,839	2,041,008	46.46%
Public safety	28,682,303	27,244,747	1,437,556	5.28%
Public works	3,600,981	5,435,120	(1,834,139)	-33.75%
Community development	14,275,910	10,286,472	3,989,438	38.78%
Community services	1,862,386	2,027,702	(165,316)	-8.15%
Interest on long term debt	2,303,688	2,397,431	(93,743)	-3.91%
Water enterprise	10,077,883	8,871,713	1,206,170	13.60%
Total Expenses	<u>67,236,998</u>	<u>60,656,024</u>	<u>6,580,974</u>	10.85%
Increase in net assets	8,567,987	14,279,766	(5,711,779)	-40.00%
Net assets - Beginning of Year	<u>182,511,497</u>	<u>168,231,731</u>	<u>14,279,766</u>	8.49%
Net assets - End of Year	<u>\$191,07,484</u>	<u>\$182,511,497</u>	<u>\$8,567,987</u>	4.69%

\* A more detailed statement of activities is shown on pages 22-23 of this report.

See accompanying independent auditor's report.

## FINANCIAL ANALYSIS OF CITY FUNDS

The City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. Overall the City had an increase of \$12.9 million to fund balances.

The major factors in fund balance changes are as follows:

- The **General Fund** recognized a \$3.4 million increase due to revenues greater than expenditures of \$3.3 million. With an unsolved State budget crisis that put local government revenues at risk of “take-aways” by the Legislature and Governor to help compensate for declining State revenues and increased State spending, the City made great efforts to reduce spending by instituting hiring freezes on many vacant positions. Also, several reductions have been made in the operations and maintenance areas of many departments. The increases in operating costs were also partially offset by a reduction in Liability Fund charges to departments. This was feasible due to recent reductions in claims and related litigation expenses.
- The **Community Promotion Fund** recognized a \$402 thousand decrease due in part to a transfer of \$603 thousand to the Capital Projects Fund to cover current and future projects.
- The **Housing and Community Development Fund** recognized a \$707 thousand increase due to revenues greater than expenditures of \$426 thousand. This is a grant program which is reimbursed periodically through out the year.
- The **Debt Service Fund** recognized a \$2.7 million increase due to revenues greater than expenditures of \$7.3 million. The IRP property taxes accounted for an increase of \$3.7 million. This helped to offset decreases in other tax related revenue.
- The **Capital Projects Funds** recognized a combined increase in fund balance of over \$4.9 million. This is due to the City setting aside money to fund projects throughout the City. Included in the amounts transferred to these funds is the \$5.6 million bond proceeds to help fund the Westminster Rose Cultural Center.
- **Other Governmental Funds**, which are non-major funds, recognized a combined increase of \$843 thousand due to revenues greater than expenditures of \$4.5 million. These funds are further detailed beginning on page 85 of this report.
- The **Enterprise Water Fund** remained static during fiscal years 2002/03 and 2003/04. The fund recognized a \$60 thousand decrease in net assets.
- The **Internal Service Funds** recognized an \$894 thousand increase in net assets due to revenues exceeding expenses by \$846 thousand. These funds finance and account for goods and services provided by one City department to other City departments, or to other governments, on a cost-reimbursement basis. The City has four internal service funds. These funds are further detailed beginning on page 99 of this report.

See accompanying independent auditor’s report.

## GOVERNMENTAL FUND FINANCIAL AND BUDGETARY HIGHLIGHTS

The focus of the City's governmental funds is to provide information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. Refer to pages 24-30 of this report for more detail of governmental funds.

As of June 30, 2004, the City's governmental funds reported combined ending fund balances of \$83.1 million, an increase of \$12.1 million in comparison with the prior year. Of the \$83.1 million, \$63.2 million, or 76.1 percent, constitutes unreserved fund balance. The remainder of fund balance is reserved to indicate that it is not available for new spending because it has already been committed (1) to pay debt service of 11.8 million, (2) to pay notes/loans and interfund receivables of 5.9 million, (3) to land held for resale of \$724 thousand, or (4) for a variety of other restricted purposes of \$1.4 million.

The General Fund is the chief operating fund of the City. At June 30, 2004, unreserved fund balance was \$13.9 million, while total fund balance reached \$15.8 million. Note that unreserved fund balance includes amounts set-aside for City designations such as City's reserve policy, post-employment retirement medical benefits and legal contingencies. As a measure of the General Fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance, which includes designated funds, represents 40 percent of total General Fund expenditures, while total fund balance represents 46 percent of that same amount.

The City continues to improve its financial stability through controlled costs and an aggressive revenue recovery program. Cost increases have been controlled through aggressive cost containment practices.

Controlling employee growth has been a key to cost controls. The City continues to provide full services at ratios equal to or exceeding other "full service" cities while maintaining ratios for cost and employee per capita that are substantially below that of comparable cities.

	<u>City</u>	<u>County Average</u>
Employees per capita (1,000)	3.08	4.48
General Fund costs per capita	\$ 397	\$ 641

The City continues to dedicate itself to cost-effective service, without sacrificing the quality of service levels so important to the overall quality of life, health and safety of the community.

The 2003/04 fiscal year ended with the ninth consecutive increase in the City's average portfolio balance. Average total cash and investment balances for the past ten years are as noted on the following page:

See accompanying independent auditor's report.

<u>Fiscal Year</u>	<u>Average Balance (in millions)</u>	<u>% Change</u>
1994/95	7.2	---
1995/96	9.0	25.0%
1996/97	15.8	75.6%
1997/98	29.8	88.6%
1998/99	38.7	29.9%
1999/00	49.0	26.6%
2000/01	57.3	16.9%
2001/02	62.1	8.4%
2002/03	70.3	13.2%
2003/04	83.4	18.6%

Since the low point in 1994/95, the City's portfolio balance has increased by \$76.2 million, or 1058%.

The following schedule presents a summary of revenue, as well as percentage changes, in relation to the prior year, for the General Governmental Funds for the fiscal year ended June 30, 2004.

Schedule of Changes in General Governmental Fund Revenue

<u>Revenue</u>	<u>Amount</u>	<u>Percent Of Total</u>	<u>Increase/ (Decrease) From 2002/03</u>	<u>Percent Increase/ (Decrease)</u>
Taxes	\$ 51,707,823	80.5%	\$ 3,913,227	8.2%
Licenses and permits	740,893	1.1%	57,319	8.4%
Fines	1,156,610	1.8%	23,139	2.0%
Investment and rentals	1,168,895	1.8%	(973,614)	-45.4%
Intergovernmental	2,673,376	4.2%	(2,717,470)	-50.4%
Charges for services	5,530,755	8.6%	(517,962)	-8.6%
Other	<u>1,273,797</u>	<u>2.0%</u>	<u>398,745</u>	<u>45.6%</u>
	<u>\$ 64,252,149</u>	<u>100.0%</u>	<u>\$ 183,384</u>	<u>0.3%</u>

A key factor in the City's improving financial position has been a substantial increase in property taxes provided from the Infrastructure Revitalization Project (IRP) since fiscal year 2001/02. This fiscal year saw an IRP increase of \$3.7 million. Another factor has been a continuing increase in sales tax revenue for nine of the last ten years. Sales tax increased \$690 thousand during fiscal year 2003/04.

Investments and rentals continue to decrease as interest rates continue falling.

Intergovernmental continues to decrease due to the loss of grants, and grant funded amounts, obtained by the City to assist with some of its needs. Two youth employment grants were discontinued and there was also a decrease in the amount of funds received on police grants. Costs associated with these funds (Community Services and Special Police Services) are offset by their revenues.

See accompanying independent auditor's report.



Charges for services decreased due to a decrease of \$530,415 in ambulance services. While this service increased last fiscal year, due to improved billing and collection procedures, the same can not be said for fiscal year 2003/04. The City will continue to rework this program in hopes of increasing future revenues.

Other revenue will vary from year to year as it consists of donations and City reimbursements.

The following schedule presents a summary of expenditures, as well as percentage change, in relation to the prior year, for the General Governmental Funds for the fiscal year ended June 30, 2004:

Schedule of Changes in General Governmental Fund Expenditures

<u>Expenditures</u>	<u>Amount</u>	<u>Percent of Total</u>	<u>Increase/ (Decrease) From 2002/03</u>	<u>Percent Increase/ (Decrease)</u>
General government	\$ 4,869,899	8.2%	\$ 467,495	10.6%
Public safety	28,107,348	47.6%	(182,134)	-0.6%
Community development	10,315,348	17.5%	(1,257,929)	-10.9%
Community services	1,789,396	3.0%	(312,864)	-14.9%
Capital outlay	10,126,674	17.1%	4,446,595	78.3%
Debt service	3,853,637	6.6%	71,368	1.9%
	<u>\$ 59,062,302</u>	<u>100.0%</u>	<u>\$ 3,232,531</u>	<u>5.8%</u>

General government has increased due to increases in Redevelopment tax increment pass through costs. As in prior year, these costs will continue increasing in the near future due to escalating factors included in the agreements.

Public safety costs remained static despite an increase in salary, retirement and medical costs. This is due in part to vacant positions, a decrease in the liability charge to the department of \$202,946, and an ongoing effort to reduce operating costs.

Community development decreased due to frozen and vacant payroll positions. Last year's balance also included a loss of \$798,000 from the sale of an asset.

Community services have decreased due to fewer grants obtained by the City. Intergovernmental revenues offset the costs in these funds.

Capital outlay increased as the City has been using money funded through IRP to complete many City projects.

The General Fund budget to actual report can be found on page 81 of this report. Decreases between the original budget and the final amended budget were \$659 thousand. This was due in part to revenue budget increases for small donations or grants that helped to offset previously budgeted expenses.

See accompanying independent auditor's report.

## CAPITAL ASSET AND DEBT ADMINISTRATION

### Capital assets:

Capital investment in capital assets for its governmental and business-type activities as of June 30, 2004 amounted to \$153 million (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, equipment, infrastructure, and construction in progress. The total decrease in capital assets for fiscal year 2003-04 was \$2.3 million or 1.5 percent, which represents a 1.2 percent decrease for governmental activities and a 2.4 percent decrease for business-type activity.

Additional information on the City's capital assets can be found on Note 6 in the notes to the basic financial statements. Capital assets (net of accumulated depreciation) at June 30, 2004 and June 30, 2003 are summarized on the following page:

### City of Westminster Capital Assets (net of accumulated depreciation)

	June 30, 2004		
	Governmental Activities	Business-type Activity	Total
Land	\$ 4,151,928	\$ 2,015,496	\$ 6,167,424
Construction in progress	4,444,291	12,536,899	16,981,190
Buildings	7,216,286	-	7,216,286
Improvements other than buildings	2,424,250	28,512	2,452,762
Water distribution lines	-	20,143,935	20,143,935
Vehicles, machinery and equipment	2,145,353	5,306,802	7,452,155
Office furniture and equipment	2,248,413	66,897	2,315,310
Leased property	351,517	-	351,517
Infrastructure	89,590,395	-	89,590,395
Total capital assets, net	<u>\$ 112,572,433</u>	<u>\$ 40,098,541</u>	<u>\$ 152,670,974</u>

See accompanying independent auditor's report.

	June 30, 2003		
	Governmental	Business-type	
	Activities	Activity	Total
Land	\$ 6,205,977	\$ 2,015,496	\$ 8,221,473
Construction in progress	3,895,119	12,379,161	16,274,280
Buildings	7,333,535	-	7,333,535
Improvements other than buildings	1,766,924	31,363	1,798,287
Water distribution lines	-	20,776,229	20,776,229
Vehicles, machinery and equipment	2,123,193	5,805,594	7,928,787
Office furniture and equipment	2,339,493	68,456	2,407,949
Leased property	505,688	-	505,688
Infrastructure	89,770,901	-	89,770,901
Total capital assets, net	<u>\$ 113,940,830</u>	<u>\$ 41,076,299</u>	<u>\$ 155,017,129</u>

Major capital asset events during fiscal year 2003-04 included the following:

- The City added \$3.8 million in infrastructure assets consisting mainly of street improvements.
- The City's Redevelopment Agency sold land valued at \$2.1 million, resulting in a corresponding loss of \$1.5 million.

Major capital asset events during fiscal year 2002-03 included the following:

- The City restated capital assets to include \$89.8 million, net of accumulated depreciation, in governmental infrastructure assets identified during the City's capital asset appraisal study.

See accompanying independent auditor's report.

## Long-term debt:

At the end of fiscal year 2003-04, the City had total debt (excluding capitalized leases, compensated absences and claims liabilities) outstanding of \$60.4 million. Outstanding debt is summarized below, and additional information can be found on Note 7 in the notes to the basic financial statements. Long-term debt for June 30, 2004 and June 30, 2003 is summarized below:

### City of Westminster Outstanding Debt

	June 30, 2004		
	Governmental Activities	Business-type Activity	Total
Tax allocation bonds payable	\$41,480,000	\$ -	\$41,480,000
Certificates of participation	9,744,163	4,065,018	13,809,181
Loans payable	695,000	4,417,041	5,112,041
Total outstanding debt	<u>\$51,919,163</u>	<u>\$8,482,059</u>	<u>\$60,401,222</u>

	June 30, 2003		
	Governmental Activities	Business-type Activity	Total
Tax allocation bonds payable	\$36,385,000	\$ -	\$36,385,000
Certificates of participation	10,319,635	4,183,951	14,503,586
Loans payable	770,000	4,566,670	5,336,670
Total outstanding debt	<u>\$47,474,635</u>	<u>\$8,750,621</u>	<u>\$56,225,256</u>

The City's total debt increased by \$4.2 million or 7.4 percent, during fiscal year 2003-04. The change in debt consisted the following:

- Issuance of \$5.9 million tax allocation bonds payable to provide financing for the Westminster Rose Cultural Center.
- In fiscal year ended June 30, 2003 the City issued a \$2 million installment sale agreement to provide financing of a water tank. As of June 30, 2003, \$1.9 million of the loan was funded. The remaining \$100,000 was funded during fiscal year ended June 30, 2004.
- Issuance of \$300,000 note payable to the Westminster Redevelopment Agency Low and Moderate Income Housing Special Revenue Fund. This was issued to the California Housing Finance Agency.
- Ongoing debt service payments reduced total debt by \$2.2 million.

See accompanying independent auditor's report.

## ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The City budget for 2004-05 is balanced as to revenue and expenditures. Modest service level increases as well as capital spending maintain balance in meeting community needs. The City made great strides in balancing current expenditures with prudent reserves to meet future needs by authorizing "contingency", "emergency", and "designated" reserves for all operating funds.

The City will also maintain its "reestablished" equipment and repair programs. Lost to the budget cuts of the early and middle 1990's, the City has restored and refunded the vehicle replacement programs, as well as created modest maintenance and replacement programs in building maintenance and information systems. These programs will help protect the City's operating efficiency.

### Future Issues

There are a number of future issues that are cause for serious concern. These concerns include:

- Revenue Stability

Sales taxes are at record high levels and three major revenue sources are prone to Proposition 218 initiatives. As such, the City needs a strong economy and voter cooperation to maintain existing revenue levels. The uncertainty of the economy and the drop in interest rates continues to impact the revenue the City receives from its investments.

- State Actions

The State budget requires that cities make a two-year contribution to solving the state's budget deficit of \$1.3 billion. The State budget calls for a shift of VLF to the State for two years. This amounts to \$1.5 million for the City of Westminster. The amount is shown in receivables and deferred revenue on the government-wide financial statements, and is recognized as revenue on the Statement of Activities for the current fiscal year. In addition the City will shift approximately \$1.8 million in ERAF III funds over the next two fiscal years.

The City's Redevelopment Agency revenues continue to be threatened by State take-aways. In fiscal year 2003-04 the State took \$135 million statewide from redevelopment agencies through an ERAF shift. The Westminster Redevelopment Agency's hit was approximately \$588,000. The recommendation for fiscal years 2004-05 and 2005-06 will include ERAF shifts of \$250 million statewide. These shifts have been estimated to be approximately \$1.25 million per year to the Agency.

With the passing of Proposition 1A the State may *borrow*, but not permanently take local government revenues in the event of a fiscal emergency. This will help to restore predictability and certainty to the funding needed for polices, fire and other essential local services.

- Infrastructure Maintenance

The City is working on studies to evaluate maintenance levels and potential costs in both streets and the water system. Even lacking exact updated information; the earlier estimates are over \$80 million in street repair and \$1.2 million in the water system. Funding these repairs will continue to be a concern.

See accompanying independent auditor's report.

## **REQUESTS FOR INFORMATION**

This financial report is designed to provide a general overview of City finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or request for additional financial information should be addressed to the Finance Director, City of Westminster, 8200 Westminster Boulevard, City of Westminster, California 92683, or call (714) 898-3311.

CITY OF WESTMINSTER  
STATEMENT OF NET ASSETS

June 30, 2004

	Primary Government		
	Governmental	Business-type	Total
	Activities	Activity	
<b>ASSETS:</b>			
Cash and investments (Note 2)	\$ 66,584,872	\$ 3,649,182	\$ 70,234,054
Receivables, net of allowances (Note 4)	12,319,368	1,671,963	13,991,331
Deposits	45,300	-	45,300
Prepaid items	25,363	99	25,462
Internal balances	1,910,202	(1,910,202)	-
Inventory	39,617	82,823	122,440
Deferred charges	217,199	229,944	447,143
Land held for resale (Note 5)	723,950	-	723,950
Restricted assets:			
Cash and investments (Note 2)	18,616,673	-	18,616,673
Cash and investments with fiscal agents (Note 2)	11,697,912	355,111	12,053,023
Capital assets (net of accumulated depreciation) (Note 6):			
Land	4,151,928	2,015,496	6,167,424
Construction in progress	4,444,291	12,536,899	16,981,190
Buildings	7,216,286	-	7,216,286
Improvements other than buildings	2,424,250	28,512	2,452,762
Water distribution lines	-	20,143,935	20,143,935
Vehicles, machinery and equipment	2,145,353	5,306,802	7,452,155
Office furniture and equipment	2,248,413	66,897	2,315,310
Leased property	351,517	-	351,517
Infrastructure	89,590,395	-	89,590,395
<b>TOTAL ASSETS</b>	<b>224,752,889</b>	<b>44,177,461</b>	<b>268,930,350</b>
<b>LIABILITIES:</b>			
Accounts payable and other liabilities	4,007,977	1,026,655	5,034,632
Due to other governments	4,642,590	-	4,642,590
Unearned revenue	3,163,984	-	3,163,984
Deposits	260,190	19,042	279,232
Long-term liabilities:			
Due within one year (Note 7)	5,934,968	500,677	6,435,645
Due in more than one year (Note 7)	50,217,008	8,077,775	58,294,783
<b>TOTAL LIABILITIES</b>	<b>68,226,717</b>	<b>9,624,149</b>	<b>77,850,866</b>
<b>NET ASSETS:</b>			
Invested in capital assets, net of related debt	66,853,270	31,616,482	98,469,752
Restricted for:			
Community development	23,209,233	-	23,209,233
Public safety	613,185	-	613,185
Public works	986,920	-	986,920
Debt service	8,920,010	355,111	9,275,121
Unrestricted	55,943,554	2,581,719	58,525,273
<b>TOTAL NET ASSETS</b>	<b>\$ 156,526,172</b>	<b>\$ 34,553,312</b>	<b>\$ 191,079,484</b>

See accompanying independent auditors' report and notes to basic financial statements.

## CITY OF WESTMINSTER

## STATEMENT OF ACTIVITIES

For the year ended June 30, 2004

Functions/programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Governmental activities:</b>				
General government	\$ 6,433,847	\$ 947,660	\$ 111,286	\$ -
Public safety	28,682,303	3,662,085	677,694	24,829
Public works	3,600,981	1,148,568	-	-
Community development	14,275,910	2,031,913	4,947,819	191,837
Community services	1,862,386	255,160	221,577	-
Interest on long term debt	2,303,688	-	-	-
Total governmental activities	57,159,115	8,045,386	5,958,376	216,666
<b>Business-type activity:</b>				
Water enterprise	10,077,883	10,162,780	-	-
Total	\$ 67,236,998	\$ 18,208,166	\$ 5,958,376	\$ 216,666

## General revenues:

## Taxes:

Sales taxes

Property taxes, levied for general purposes

Utility users taxes

Business operation taxes

Franchise taxes

Transient occupancy taxes

Motor vehicle taxes

Unrestricted investment earnings

Miscellaneous

Transfers

Total general revenues and transfers

Change in net assets

Net assets - Beginning of Year

Net assets - End of Year

See accompanying independent auditors' report and notes to basic financial statements.



Net (Expense) Revenue and Changes in Net Assets		
Governmental Activities	Business-type Activity	Total
\$ (5,374,901)	\$ -	\$ (5,374,901)
(24,317,695)	-	(24,317,695)
(2,452,413)	-	(2,452,413)
(7,104,341)	-	(7,104,341)
(1,385,649)	-	(1,385,649)
(2,303,688)	-	(2,303,688)
(42,938,687)	-	(42,938,687)
-	84,897	84,897
(42,938,687)	84,897	(42,853,790)
15,886,793	-	15,886,793
21,221,236	-	21,221,236
4,750,700	-	4,750,700
1,264,656	-	1,264,656
1,004,350	-	1,004,350
460,137	-	460,137
5,921,745	-	5,921,745
770,069	141,345	911,414
-	746	746
193,914	(193,914)	-
51,473,600	(51,823)	51,421,777
8,534,913	33,074	8,567,987
147,991,259	34,520,238	182,511,497
<u>\$ 156,526,172</u>	<u>\$ 34,553,312</u>	<u>\$ 191,079,484</u>

## CITY OF WESTMINSTER

## BALANCE SHEET - GOVERNMENTAL FUNDS

June 30, 2004

		Special Revenue Funds	
	General	Community Promotion	Housing and Community Development
ASSETS			
Cash and investments (Note 2)	\$ 12,493,697	\$ 74,864	\$ 121,359
Receivables, net of allowances (Note 4)	5,628,949	68,720	2,317,028
Deposits	-	-	45,300
Prepaid charges	18,524	6,000	-
Due from other funds (Note 3)	896,959	-	-
Restricted assets:			
Cash and investments (Note 2)	-	-	-
Cash and investments with fiscal agents (Note 2)	-	2,630,494	-
Advances to other funds (Note 3)	1,836,620	-	-
Land held for resale (Note 5)	-	-	-
TOTAL ASSETS	\$ 20,874,749	\$ 2,780,078	\$ 2,483,687
LIABILITIES AND FUND BALANCES			
LIABILITIES:			
Accounts payable and accrued liabilities	\$ 1,007,434	\$ 25,401	\$ 87,461
Deposits	236,078	3,000	-
Deferred revenue	3,728,419	-	45,300
Due to other funds (Note 3)	100,061	2,200,000	655,000
Due to other governments	760	-	1,293,136
Advances from other funds (Note 3)	-	-	-
TOTAL LIABILITIES	5,072,752	2,228,401	2,080,897
FUND BALANCES:			
Reserved (Note 15)	1,855,144	551,677	850,000
Unreserved, reported in:			
General Fund	13,946,853	-	-
Special Revenue Funds	-	-	(447,210)
Capital Projects Funds	-	-	-
TOTAL FUND BALANCES	15,801,997	551,677	402,790
TOTAL LIABILITIES AND FUND BALANCES	\$ 20,874,749	\$ 2,780,078	\$ 2,483,687

See accompanying independent auditors' report and notes to basic financial statements.

Debt Service	Capital Projects Funds		Other Governmental Funds	Total Governmental Funds
	Capital Improvements	Redevelopment Projects		
\$ 2,294,713	\$ 15,764,412	\$ 17,147,314	\$ 3,617,517	\$ 51,513,876
697,282	-	830,185	2,692,771	12,234,935
-	-	-	-	45,300
-	-	839	-	25,363
-	5,209,000	100,061	-	6,206,020
500,000	10,329,839	2,425,018	2,471,724	15,726,581
9,067,418	-	-	-	11,697,912
2,139,526	1,288,550	-	-	5,264,696
-	-	723,950	-	723,950
<u>\$ 14,698,939</u>	<u>\$ 32,591,801</u>	<u>\$ 21,227,367</u>	<u>\$ 8,782,012</u>	<u>\$ 103,438,633</u>
\$ 18,259	\$ 679,226	\$ 1,084,065	\$ 164,450	\$ 3,066,296
-	-	4,598	16,514	260,190
181,442	-	720,000	25,882	4,701,043
-	-	883,759	2,367,200	6,206,020
3,348,694	-	-	-	4,642,590
1,476,620	-	-	-	1,476,620
<u>5,025,015</u>	<u>679,226</u>	<u>2,692,422</u>	<u>2,574,046</u>	<u>20,352,759</u>
9,673,924	1,288,550	724,789	4,952,181	19,896,265
-	-	-	-	13,946,853
-	-	-	1,255,785	808,575
-	30,624,025	17,810,156	-	48,434,181
<u>9,673,924</u>	<u>31,912,575</u>	<u>18,534,945</u>	<u>6,207,966</u>	<u>83,085,874</u>
<u>\$ 14,698,939</u>	<u>\$ 32,591,801</u>	<u>\$ 21,227,367</u>	<u>\$ 8,782,012</u>	<u>\$ 103,438,633</u>

CITY OF WESTMINSTER

RECONCILIATION OF THE GOVERNMENTAL FUNDS  
BALANCE SHEET TO THE STATEMENT OF NET ASSETS

June 30, 2004

Amounts reported for governmental activities in the statement of net assets  
are different because:

Fund balances - total governmental funds	\$ 83,085,874
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the governmental funds balance sheet. Capital assets net of \$116,313,984 accumulated depreciation are	106,339,807
Internal Service funds are used by management to charge the costs of various city activities to individual governmental and business-like funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net activities. Internal Service funds net assets are	15,507,228
Long-term liabilities applicable to the City governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. Interest on long-term liabilities is not accrued in governmental funds, but rather is recognized as an expenditures when due. All liabilities, both current and long-term, are reported in the statement of net assets. Balances as of June 30, 2004 are:	
Long-term debt	(49,302,076)
Note issuance costs	112,192
Accrued interest	(753,913)
Long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the fund financial statements	<u>1,537,060</u>
Net assets of governmental activities	<u><u>\$ 156,526,172</u></u>

See accompanying independent auditors' report and notes to basic financial statements.

## CITY OF WESTMINSTER

STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES - GOVERNMENTAL FUND

For the year ended June 30, 2004

		Special Revenue Funds	
	General	Community Promotion	Housing and Community Development
REVENUES:			
Taxes	\$ 30,428,553	\$ 351,000	\$ -
Licenses and permits	740,893	-	-
Fines	1,151,410	-	-
Investment and rental	236,404	70,239	5,553
Intergovernmental	91,415	190,000	1,122,068
Charges for services	4,931,292	76	-
Other	304,754	6,725	333,302
TOTAL REVENUES	37,884,721	618,040	1,460,923
EXPENDITURES:			
Current:			
General government	956,706	-	-
Public safety	26,996,794	-	-
Public works	3,020,997	-	-
Community development	2,004,080	166,923	611,552
Community services	1,525,923	23,855	-
Capital outlay	56,961	8,754	-
Debt service:			
Principal retirement	-	137,684	375,000
Interest and fiscal charges	-	104,272	48,055
Note issuance cost	-	-	-
TOTAL EXPENDITURES	34,561,461	441,488	1,034,607
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	3,323,260	176,552	426,316
OTHER FINANCING SOURCES (USES):			
Sale of equipment and property	4,834	-	-
Issuance of notes	-	-	-
Transfers in	1,048,671	25,000	930,000
Transfers out	(1,025,703)	(603,093)	(649,160)
TOTAL OTHER FINANCING SOURCES (USES)	27,802	(578,093)	280,840
NET CHANGE IN FUND BALANCES	3,351,062	(401,541)	707,156
FUND BALANCES (DEFICIT) - BEGINNING OF YEAR	12,450,935	953,218	(304,366)
FUND BALANCES - END OF YEAR	\$ 15,801,997	\$ 551,677	\$ 402,790

See accompanying independent auditors' report and notes to basic financial statements.

Debt Service	Capital Projects Funds		Other Governmental Funds	Total Governmental Funds
	Capital Improvements	Redevelopment Projects		
\$ 13,793,788	\$ -	\$ -	\$ 7,134,482	\$ 51,707,823
-	-	-	-	740,893
-	-	-	5,200	1,156,610
22,290	78,033	521,122	235,254	1,168,895
-	-	-	1,269,893	2,673,376
-	-	-	599,387	5,530,755
-	-	165,210	463,806	1,273,797
<u>13,816,078</u>	<u>78,033</u>	<u>686,332</u>	<u>9,708,022</u>	<u>64,252,149</u>
3,841,296	-	-	71,897	4,869,899
-	-	-	1,110,554	28,107,348
-	-	-	-	3,020,997
-	-	1,492,068	3,019,728	7,294,351
-	-	-	239,618	1,789,396
-	6,074,400	3,718,751	267,808	10,126,674
805,000	-	-	285,287	1,602,971
1,763,394	-	-	216,153	2,131,874
118,792	-	-	-	118,792
<u>6,528,482</u>	<u>6,074,400</u>	<u>5,210,819</u>	<u>5,211,045</u>	<u>59,062,302</u>
<u>7,287,596</u>	<u>(5,996,367)</u>	<u>(4,524,487)</u>	<u>4,496,977</u>	<u>5,189,847</u>
-	-	552,893	-	557,727
5,900,000	-	-	300,000	6,200,000
533,815	11,407,041	8,450,611	1,626,237	24,021,375
(11,059,208)	(3,445,769)	(1,534,888)	(5,579,917)	(23,897,738)
<u>(4,625,393)</u>	<u>7,961,272</u>	<u>7,468,616</u>	<u>(3,653,680)</u>	<u>6,881,364</u>
2,662,203	1,964,905	2,944,129	843,297	12,071,211
<u>7,011,721</u>	<u>29,947,670</u>	<u>15,590,816</u>	<u>5,364,669</u>	<u>71,014,663</u>
<u>\$ 9,673,924</u>	<u>\$ 31,912,575</u>	<u>\$ 18,534,945</u>	<u>\$ 6,207,966</u>	<u>\$ 83,085,874</u>

## CITY OF WESTMINSTER

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES

For the year ended June 30, 2004

Amounts reported for governmental activities in the statement of activities  
are different because:

Net change in fund balances - total governmental funds	\$ 12,071,211
--	---------------

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over the estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital expense in the current period.	(1,384,577)
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The issuance of long term debt provides current financial resources to governmental funds, while the repayment of the principal of long term-debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. These amounts are the net effect of these differences in the treatment of long-term debt.

Debt issued or incurred:

Issuance of notes	(6,200,000)
Issuance costs	118,792
Principal payments	1,602,971

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds:

Net change in accrued interest	(4,540)
Amortization of issuance costs	(6,600)

Internal service funds are used by management to charge the costs of certain activities, such as fleet management, telephones, and warehouse operations to individual funds. The net revenue (expense) of these internal service funds are reported as governmental activities.

800,596

Some revenues reported in the statement of activities are not considered to be available to finance current expenditures and therefore are not reported as revenues in governmental funds:

Motor vehicle-in-lieu taxes	1,537,060
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Change in net assets of governmental activities	\$ 8,534,913
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See accompanying independent auditors' report and notes to basic financial statements.

CITY OF WESTMINSTER  
STATEMENT OF NET ASSETS  
PROPRIETARY FUNDS

June 30, 2004

	Business-type Activity <u>Enterprise Fund</u>	Governmental Activities <u>Internal Service Funds</u>
ASSETS		
CURRENT ASSETS:		
Cash and investments	\$ 3,649,182	\$ 15,070,997
Receivables, net of allowances (Note 4)	1,671,963	84,433
Prepaid charges	99	-
Inventories	82,823	39,617
Restricted assets:		
Cash and investments	-	2,890,092
Cash and investments with fiscal / other agents	355,111	-
TOTAL CURRENT ASSETS	<u>5,759,178</u>	<u>18,085,139</u>
NONCURRENT ASSETS:		
Deferred bond charges	<u>229,944</u>	<u>105,007</u>
CAPITAL ASSETS (NOTE 6):		
Land	2,015,496	-
Buildings	85,449	3,708,897
Water distribution lines	41,099,102	-
Improvements other than buildings	64,839	-
Vehicles	-	2,972,042
Machinery and equipment	9,954,446	491,733
Office furniture, computers and equipment	150,846	1,692,975
Leased property	-	1,162,258
Construction in progress	12,536,899	540,312
TOTAL CAPITAL ASSETS	<u>65,907,077</u>	<u>10,568,217</u>
Less accumulated depreciation	<u>(25,808,536)</u>	<u>(4,335,593)</u>
NET CAPITAL ASSETS	<u>40,098,541</u>	<u>6,232,624</u>
TOTAL ASSETS	<u>46,087,663</u>	<u>24,422,770</u>

(Continued)

See accompanying independent auditors' report and notes to basic financial statements.



CITY OF WESTMINSTER  
STATEMENT OF NET ASSETS  
PROPRIETARY FUNDS  
(CONTINUED)

June 30, 2004

	Business-type Activity <u>Enterprise Fund</u>	Governmental Activities <u>Internal Service Funds</u>
LIABILITIES		
CURRENT LIABILITIES:		
Accounts payable and accrued liabilities	\$ 1,026,655	\$ 187,769
Deposits	19,042	-
Advances from other funds	3,428,076	360,000
Claims payable	-	605,928
Compensated absences	96,393	1,549,040
Certificates of participation	145,000	187,355
Loans payable	259,284	-
	<u>4,974,450</u>	<u>2,890,092</u>
TOTAL CURRENT LIABILITIES		
LONG-TERM LIABILITIES:		
Claims payable	-	1,817,781
Compensated absences	-	260,064
Certificates of participation	3,920,018	2,429,732
Loans payable	4,157,757	-
	<u>8,077,775</u>	<u>4,507,577</u>
TOTAL LONG-TERM LIABILITIES		
TOTAL LIABILITIES	<u>13,052,225</u>	<u>7,397,669</u>
NET ASSETS:		
Invested in capital assets, net of related debt	31,616,482	3,615,538
Restricted	355,111	-
Unrestricted	1,063,845	13,409,563
	<u>33,035,438</u>	<u>\$ 17,025,101</u>
TOTAL NET ASSETS		
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds		
Beginning adjustment	1,424,480	
Current year adjustment	93,394	
	<u>1,517,874</u>	
Net assets of business-type activity	<u>\$ 34,553,312</u>	

See accompanying independent auditors' report and notes to basic financial statements.

## CITY OF WESTMINSTER

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS  
PROPRIETARY FUNDS

For the year ended June 30, 2004

	Business-type Activity Enterprise Fund	Governmental Activities Internal Service Funds
OPERATING REVENUES:		
Rentals	\$ 13,577	\$ -
Charges for services	10,149,145	14,575,632
Other	58	1,250,520
TOTAL OPERATING REVENUES	<u>10,162,780</u>	<u>15,826,152</u>
OPERATING EXPENSES:		
Salaries	1,961,382	4,037,259
Maintenance and operations	2,861,226	3,502,736
Purchased water	1,804,710	-
Equity taxes	1,870,874	-
Insurance premiums and legal fees	6,593	2,844,819
Claims and benefits	-	4,006,238
Depreciation and amortization	1,149,900	588,883
TOTAL OPERATING EXPENSES	<u>9,654,685</u>	<u>14,979,935</u>
OPERATING INCOME	<u>508,095</u>	<u>846,217</u>
NONOPERATING REVENUES (EXPENSES):		
Investment income	141,345	125,108
Interest and fiscal charges	(516,592)	(160,736)
Gain (loss) on sale of equipment	746	13,123
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>(374,501)</u>	<u>(22,505)</u>
INCOME BEFORE TRANSFERS	<u>133,594</u>	<u>823,712</u>
TRANSFERS:		
Transfers in	1,622,086	1,093,634
Transfers out	(1,816,000)	(1,023,357)
TOTAL TRANSFERS	<u>(193,914)</u>	<u>70,277</u>
CHANGE IN NET ASSETS	(60,320)	893,989
TOTAL NET ASSETS - BEGINNING OF YEAR	<u>33,095,758</u>	<u>16,131,112</u>
TOTAL NET ASSETS - END OF YEAR	33,035,438	<u>\$ 17,025,101</u>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds		
Beginning adjustment	1,424,480	
Current year adjustment	93,394	
Net assets of business-type activity	<u>\$ 34,553,312</u>	

See accompanying independent auditors' report and notes to basic financial statements.

CITY OF WESTMINSTER  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS

For the year ended June 30, 2004

	Business-type Activity Enterprise Fund	Governmental Activities Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES:		
Receipts from customers	\$ 9,910,852	\$ 15,826,273
Payment to suppliers	(6,246,378)	(9,418,860)
Payment to employees	(1,961,382)	(4,037,529)
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>1,703,092</u>	<u>2,369,884</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Cash received from other funds	1,622,086	1,093,634
Cash paid to other funds	(2,096,223)	(1,023,357)
NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES	<u>(474,137)</u>	<u>70,277</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Acquisition of capital assets	(172,141)	(605,064)
Proceeds from sale of property	746	13,123
Proceeds from loan	100,000	-
Principal payments on long-term debt	(384,629)	(152,500)
Principal payments on capital lease obligation	-	(18,062)
Interest expense	(483,088)	(153,693)
NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(939,112)</u>	<u>(916,196)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Investment income	<u>141,425</u>	<u>125,111</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	431,268	1,649,076
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>3,573,025</u>	<u>16,312,013</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 4,004,293</u>	<u>\$ 17,961,089</u>
CASH AND CASH EQUIVALENTS:		
Cash and investments - current assets	\$ 3,649,182	\$ 15,070,997
Cash and investments - restricted assets	<u>355,111</u>	<u>2,890,092</u>
TOTAL CASH AND CASH EQUIVALENTS	<u>\$ 4,004,293</u>	<u>\$ 17,961,089</u>

(Continued)

See accompanying independent auditors' report and notes to basic financial statements.

CITY OF WESTMINSTER

STATEMENT OF CASH FLOWS  
 PROPRIETARY FUNDS  
 (CONTINUED)

For the year ended June 30, 2004

	Business-type Activity	Governmental Activities
	Enterprise Fund	Internal Service Funds
RECONCILIATION OF OPERATING INCOME TO		
NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Operating income	\$ 508,095	\$ 846,217
Depreciation and amortization	1,149,900	588,883
Change in assets and liabilities:		
(Increase) decrease in accounts receivable	(251,928)	(23,975)
(Increase) decrease in other receivables	9	-
(Increase) decrease in prepaid charges	(99)	241,387
(Increase) decrease in inventories	2,221	2,366
(Increase) decrease in due from other governments	-	11,241
Increase (decrease) in accounts payable and accrued liabilities	304,891	(58,618)
Increase (decrease) in claims payable	-	882,072
Increase (decrease) in compensated absences payable	(9,997)	(119,689)
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 1,703,092</u>	<u>\$ 2,369,884</u>

See accompanying independent auditors' report and notes to basic financial statements.

CITY OF WESTMINSTER

STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES  
FIDUCIARY FUNDS

June 30, 2004

RESTRICTED ASSETS:

Cash and investments	\$ 78,651
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LIABILITIES:

Due to bondholders	<u>78,651</u>
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\$	<u><u>-</u></u>
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See accompanying independent auditors' report and notes to basic financial statements..

# CITY OF WESTMINSTER

## NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2004

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

#### **Description of the Reporting Entity:**

The basic financial statements of the City of Westminster include the activities of the City, the Westminster Redevelopment Agency and the Westminster Public Financing Authority.

The City of Westminster was incorporated in 1957 under the General Laws of the State of California. The City operates under a Council-Manager form of government governed by a five-member council and provides the following services: public safety (police, fire, paramedic and ambulance), highways and streets, parks and recreation, public improvements, planning and zoning, and general administrative services.

The criteria used in determining the scope of the reporting entity are based on the provisions of Governmental Accounting Standards Board Statement 14. The City of Westminster is the primary government unit. Component units are those entities which are financially accountable to the primary government, either because the City appoints a voting majority of the component unit's board, or because the component unit will provide a financial benefit or impose a financial burden on the City. The City has accounted for the Agency and Authority as "blended" component units. Despite being legally separate, these entities are so intertwined with the City that they are, in substance, part of the City's operations. Accordingly, these basic financial statements present the City and its component units, the Westminster Redevelopment Agency and the Westminster Public Financing Authority. Each blended component unit has a June 30 year end.

The Westminster Redevelopment Agency (the Agency) was established in September 1982 pursuant to the State of California Health and Safety Code, Section 33000 entitled "Community Redevelopment Law." Its purpose is to eliminate blighted areas, enhance job creation and retention, improve the tax base for the City, promote quality new development and improve the image of the City. City Council members, in separate session, serve as the governing board of the Agency. The activity of the Agency is reported in the Special Revenue, Debt Service and Capital Project Funds. The Agency prepares separate Basic Financial Statements and a copy can be obtained from the City's Finance Department.

See accompanying independent auditors' report.

# CITY OF WESTMINSTER

## NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

June 30, 2004

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

#### **Description of the Reporting Entity (Continued):**

The Westminster Public Financing Authority (the Authority) was established on March 23, 1993 pursuant to California Government Code, Section 6500. The Authority was established to provide a financing mechanism for the City's and Agency's various public projects. A separate fund is not maintained for the Authority as principal and interest payments on debt issued by the Authority is paid directly by the City and Agency. The payments are reported in the Special Revenue, Debt Service, Enterprise and Internal Service Funds. There are no separate Basic Financial Statements prepared for the Public Financing Authority.

The accounting policies of the City of Westminster, the Westminster Redevelopment Agency and the Westminster Public Financing Authority conform to generally accepted accounting principles as applicable to governments. The following is a summary of the more significant policies.

#### **Government-Wide and Fund Financial Statements:**

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information about the reporting government as a whole, except for its fiduciary activities. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government (including its blended component units) is reported separately from discretely presented component units for which the primary government is financially accountable. The City has no discretely presented component units. For the most part, the effect of interfund activity has been removed from these statements.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

See accompanying independent auditors' report.

# CITY OF WESTMINSTER

## NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

June 30, 2004

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

#### **Government-Wide and Fund Financial Statements (Continued):**

The underlying accounting system of the City is organized and operated on the basis of separate funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures or expenses, as appropriate. Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

Separate financial statements for the government's governmental, proprietary, and fiduciary funds are presented after the Government-wide Financial Statements. These statements display information about major funds individually and nonmajor funds in the aggregate for governmental and enterprise funds. Fiduciary statements, even though excluded from the government-wide financial statements includes financial information that primarily represent assets held by the City in a custodial capacity for other individuals or organizations.

#### **Measurement Focus, Basis of Accounting, and Financial Statement Presentation:**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Under the economic resources measurement focus, all assets and liabilities (whether current or noncurrent) associated with their activity are included on their balance sheets. Operating statements present increases (revenues) and decreases (expenses) in total net assets. Under the accrual basis of accounting, revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. Nonexchange transactions, in which the City gives (or receives) value without directly receiving (or giving) equal value in exchange include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all the eligibility requirements have been satisfied. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

See accompanying independent auditors' report.



CITY OF WESTMINSTER

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2004

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

**Measurement Focus, Basis of Accounting, and Financial Statement Presentation  
(Continued):**

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under the current financial resources measurement focus, only current assets and current liabilities are generally included on their balance sheets. The reported fund balance (net current assets) is considered to be a measure of "available spendable resources". Governmental fund operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Accordingly, they are said to present a summary of sources and uses of "available spendable resources" during a period. Noncurrent portions of long-term receivables due to governmental funds are reported on their balance sheets in spite of their spending measurement focus. However, special reporting treatments are used to indicate that they should not be considered "available spendable resources" since they do not represent net current assets. Recognition of governmental fund type revenue represented by noncurrent receivables is deferred until they become current receivables. Noncurrent portions of other long-term receivables are offset by fund balance reserve accounts.

Under the modified accrual basis of accounting, revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, except for principal and interest on general long-term liabilities, claims and judgments, and compensated absences which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term liabilities are reported as other financing sources.

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

See accompanying independent auditors' report.

CITY OF WESTMINSTER

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2004

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

**Measurement Focus, Basis of Accounting, and Financial Statement Presentation  
(Continued):**

All governmental and business-type activities and enterprise funds of the City follow FASB Statements and Interpretations issued on or before November 30, 1989, Accounting Principles Board Opinions and Accounting Research Bulletins, unless those pronouncements conflict with GASB pronouncements.

**Fund Classifications:**

The funds designated as major funds are determined by a mathematical calculation consistent with GASB Statement No. 34. The City reports the following major governmental funds:

The General Fund is the primary operating fund of the City. It is used to account for all revenues and expenditures that are not required to be accounted for in another fund.

The Community Promotion Special Revenue Fund is used to account for the assets generated by the sale of the City's cable franchise. Interest earnings on the proceeds of the sale are used to fund various cable television broadcasts and community promotion activities.

The Housing and Community Development Special Revenue Fund is used to account for Federal grants received from the Department of Housing and Urban Development (HUD). The grants are to be used for the development of a viable community by providing decent housing, suitable living environment, and expanding economic opportunities, principally for persons with low and moderate income.

The Debt Service Fund is used to account for the accumulation of resources for, and the payment of, long-term debt principal, interest and related costs other than those being financed by proprietary funds.

The Capital Improvement Capital Projects Fund is used to account for City projects funded by various sources.

The Redevelopment Projects Capital Projects Fund is used to account for the proceeds of notes and advances, and the expenditure of such funds for improvement, reconstruction and redevelopment projects within the specified boundaries of the Westminster Redevelopment Agency.

See accompanying independent auditors' report.

CITY OF WESTMINSTER

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2004

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

**Fund Classifications (Continued):**

The City reports the following major enterprise fund:

The Water Enterprise Fund is used to account for the provision of water services to residential, commercial and industrial customers.

The City's fund structure also includes the following fund types:

The Special Revenue Funds are used to account for proceeds of specific revenue sources that are legally restricted or otherwise designated for specific purposes.

The Capital Projects Funds are used to account for financial resources used for the acquisition or construction of major capital facilities.

The Internal Service Funds are used to account for the financing of special activities that provide services within the City. These activities include risk management, compensation and benefits, motor pool and equipment maintenance, and facilities maintenance.

The Agency Funds are used to account for money and property held by the City as trustee or custodian. They are also used to account for the 1915 Act Bonds (Limited Obligation Improvement Bonds) for which the City acts as an agent for debt service activity.

**Capital Assets:**

Capital assets (including infrastructure) are recorded at cost where historical records are available and at an estimated original cost where no historical records exist. Contributed capital assets are valued at their estimated fair market value at the date of contribution. Generally, capital asset purchases in excess of \$500 are capitalized if they have an expected useful life of 1 year or more.

Capital assets include additions to public domain (infrastructure), certain improvements including pavement, curb and gutter, sidewalks, traffic control devices, streetlights, sewers, bridges and right-of-way corridors within the City. The City has valued and recorded all infrastructure asset data except for storm drains as of June 30, 2004.

See accompanying independent auditors' report.

# CITY OF WESTMINSTER

## NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

June 30, 2004

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

#### **Capital Assets (Continued):**

Capital assets used in operations are depreciated over their estimated useful lives using the straight-line method in the Government-wide Financial Statements and in the Fund Financial Statements of the Enterprise Fund. Depreciation is charged as an expense against operations and accumulated depreciation is reported on the respective balance sheet. The lives used for depreciation purposes of each capital asset class are:

Buildings	30 to 50 years
Improvements other than buildings	20 years
Water distribution lines	65 years
Vehicles	4 to 15 years
Machinery and equipment	5 to 30 years
Office furniture, computers and equipment	5 to 20 years
Leased property	5 to 10 years
Infrastructure	20 to 50 years

#### **Encumbrances:**

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary integration in the General, Special Revenue, and Capital Projects Funds. Unexpended and unencumbered appropriations of the governmental funds automatically lapse at the end of the fiscal year. As of June 30, 2004 all encumbrances at year-end were closed. Unexpended appropriations are reencumbered in the following year after reconsideration, without additional budget appropriation.

#### **Statement of Cash Flows:**

For purposes of the statement of cash flows, City's Enterprise and Internal Service Funds participate in the pooling of City-wide cash and investments. As amounts are available to these Funds on demand, all cash and investments are considered to be cash and cash equivalents for statement of cash flow purposes.

#### **Investments:**

Investments are stated at fair value (quoted market price or best available estimate thereof).

See accompanying independent auditors' report.

# CITY OF WESTMINSTER

## NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

June 30, 2004

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

#### **Inventories:**

Inventories are valued at cost, which approximates market, on a first-in, first-out basis. Inventory in the Enterprise Fund consists mostly of water meters and spare parts. Inventory in the Internal Service Funds consists of expendable supplies held for consumption.

#### **Land Held for Resale:**

Land held for resale is carried in the Redevelopment Projects Capital Projects Fund at the lower of acquisition cost or estimated net realizable value. The land values are reappraised on a periodic basis and any adjustments on the properties are shown in the Redevelopment Projects Capital Projects Fund statement of revenues, expenditures, and changes in fund balance.

#### **Property Taxes:**

Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied on July 1 and are payable in two installments on November 1 and February 1 and become delinquent December 11 and April 11. The County bills and collects the property taxes and remits them to the City in installments during the year. City property tax revenues are recognized when levied to the extent that they result in current receivables.

The County is permitted by State law (Proposition 13) to levy taxes at 1% of full market value (at time of purchase) and can increase the assessed values no more than 2% per year. The City receives a share of this basic levy proportionate to what was received in the 1976 to 1978 period.

#### **Compensated Absences:**

Costs associated with compensated absences, along with any related accruals, are accounted for in the Compensation/Benefits Internal Service Fund. The costs for this program will be recovered from those governmental units through inter-departmental charges for services. Other proprietary funds with payroll costs account for their own respective compensated absences.

#### **Retirement Benefits:**

The City accounts for CalPERS credits and retirement benefit expenditures in the Compensation/Benefits Internal Service Fund.

See accompanying independent auditors' report.

CITY OF WESTMINSTER

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2004

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

**Interest Rate Swaps:**

The City has entered into interest rate swap agreements to fix the interest rates on outstanding variable rate debt. Other than the fixed interest expenditure resulting from these agreements, no amounts are recorded in the basic financial statements.

**Use of Estimates:**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Specifically, the City has made certain estimates and assumptions relating to the collectibility of its receivables (including accounts receivable, notes receivable, amounts due from other funds and amounts advanced to other funds), the valuation of property held for resale, and the ultimate outcome of claims and judgments. Actual results could differ from those estimates and assumptions.

2. CASH AND INVESTMENTS:

Cash and investments at June 30, 2004 consisted of the following:

	Government Wide Statement of Net Assets	Fiduciary Fund Statement of Assets and Liabilities	Total
Unrestricted assets:			
Cash and investments	\$ 70,234,054	\$ -	\$ 70,234,054
Total unrestricted assets	<u>70,234,054</u>	<u>-</u>	<u>70,234,054</u>
Restricted assets:			
Cash and investments	18,616,673	78,651	18,695,324
Investments with fiscal agents	<u>12,053,023</u>	<u>-</u>	<u>12,053,023</u>
Total restricted assets	<u>30,669,696</u>	<u>78,651</u>	<u>30,748,347</u>
<b>TOTAL CASH AND INVESTMENTS</b>	<u>\$ 100,903,750</u>	<u>\$ 78,651</u>	<u>\$ 100,982,401</u>

See accompanying independent auditors' report.

CITY OF WESTMINSTER

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2004

2. CASH AND INVESTMENTS (CONTINUED):

Cash and investments consist of deposits and investments, as noted below:

Deposits	\$ 317,442
Investments	<u>100,664,959</u>
	<u>\$ 100,982,401</u>

The City follows the practice of pooling cash and investments of all funds except for amounts with fiscal agents, and legally restricted funds. Each fund type's portion of this pool is displayed on the combined balance sheet as "Unrestricted assets - cash and investments" or "Restricted assets - cash and investments."

Investment income earned on pooled cash and investments is allocated to the various funds based on ending cash and investment balances. Interest from cash and investments of funds excluded from pooled amounts is credited directly to the related fund.

**Deposits:**

Bank deposits are maintained in financial institutions which provide deposit protection of the bank balance with Federal Insurance. The California Government Code requires California banks and savings and loan institutions to secure a city's deposits by pledging government securities as collateral. The market value of pledged government securities must equal at least 110% of a city's deposits. California law also allows financial institutions to secure city deposits by pledging first trust deed mortgage notes having a value of at least 150% of the city's deposits.

Deposits are classified in three categories of credit risk as follows:

Category 1 - Insured or collateralized with securities held by the City or by the City's agent in the City's name;

Category 2 - Collateralized with securities held by the pledging financial institution's trust department or agent in the City's name; or

Category 3 - Uncollateralized.

As of June 30, 2004, bank balances of deposits amounted to \$1,205,872 of which \$204,100 was insured (Category 1) and the balance of \$1,001,772 was collateralized (Category 2). Outstanding checks and deposits in transit resulted in a carrying amount of \$317,442.

See accompanying independent auditors' report.

CITY OF WESTMINSTER

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2004

2. CASH AND INVESTMENTS (CONTINUED):

**Investments:**

California Governmental Code statutes authorize the City to invest in certain obligations including obligations of U.S. Government Agencies; Negotiable Certificates; Bankers Acceptances; Commercial Paper rated A-1 by Standards & Poor's Corporation or P-1 by Moody's Commercial Paper Record; Local Agency Investment Fund (State Pool); Repurchase Agreements; Passbook Savings Account Demand Deposits; and Reverse Repurchase Agreements.

Investments are also categorized in three categories of investment risk to give an indication of the level of credit risk associated with the investment, as follows:

Category 1 - Insured or registered, with securities held by the City or its agent in the City's name;

Category 2 - Uninsured and unregistered, with securities held by the counterparty's trust department or agent in the City's name; or

Category 3 - Uninsured and unregistered, with securities held by the counterparty, or by its trust department or agent, but not in the City's name.

Investments in pools managed by other governments or in mutual funds are not required to be categorized.

It is the intent of the City to hold all investments until maturity. At June 30, 2004, the City's investments consisted of the following:

	<u>Carrying Amount</u>
<u>Category 1 Investments:</u>	
United States Treasury Notes	\$ 2,703,142
Federal National Mortgage Association	7,324,596
Federal Home Loan Bank	4,675,589
Federal Home Loan Mortgage Corporation	8,256,190
<u>Not Required to be Categorized:</u>	
Local Agency Investment Fund (LAIF)	64,673,447
Money Market Mutual Funds	978,972
Amounts invested by fiscal agents, principally in mutual funds	<u>12,053,023</u>
TOTAL INVESTMENTS	<u>\$ 100,664,959</u>

See accompanying independent auditors' report.



# CITY OF WESTMINSTER

## NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

June 30, 2004

### 2. CASH AND INVESTMENTS (CONTINUED):

#### Investments (Continued):

The City is a voluntary participant in the California Local Agency Investment Fund (LAIF) that is regulated by California Code Section 16429 under the oversight of the Treasurer of the State of California. Each City may invest up to \$40,000,000 each in the Fund for the city and redevelopment agency and may also invest without limitation in special bond proceeds accounts. Investments in LAIF are highly liquid, as deposits can be converted to cash within twenty-four hours without loss of interest. The City's proportionate share of the fair value of its investments in LAIF amounted to \$64,673,447. Included in LAIF's investment portfolio are certain derivative securities or similar products and asset-backed securities totaling \$923,459,000. LAIF's and the City's exposure to credit, market or legal risk is not available.

Fiscal agents, on behalf of the City, hold and invest funds in the City's name from long-term obligations. Fiscal agents are mandated by indentures as to the types of investments in which debt proceeds can be invested.

### 3. INTERFUND RECEIVABLES/PAYABLES AND TRANSFERS:

Interfund receivables and payables at June 30, 2004 are as follows:

	<u>Receivable</u>	<u>Payable</u>
General Fund	\$ 896,959	\$ 100,061
Special Revenue Funds:		
Community Promotion	-	2,200,000
Housing and Community Development	-	655,000
Capital Projects Funds:		
Capital Improvements	5,209,000	-
Redevelopment Projects	100,061	883,759
Other Governmental Funds	<u>-</u>	<u>2,367,200</u>
	<u>\$ 6,206,020</u>	<u>\$ 6,206,020</u>

See accompanying independent auditors' report.

CITY OF WESTMINSTER

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2004

3. INTERFUND RECEIVABLES/PAYABLES AND TRANSFERS (CONTINUED):

The interfund amounts between the Capital Improvement Fund and the Special Revenue Community Promotion, Housing and Community Development and Other Governmental Funds are for short-term loans to cover operations.

The receivable and payable between the General Fund and the Redevelopment Projects Capital Projects Fund are for short-term operations related to activity between the funds.

Advances to and from other funds at June 30, 2004 are as follows:

	Advances To Other Funds	Advances From Other Funds
General Fund	\$ 1,836,620	\$ -
Debt Service Fund	2,139,526	1,476,620
Capital Projects Fund: Capital Improvements	1,288,550	-
Enterprise Fund: Water	-	3,428,076
Internal Service Fund: Risk Management	-	360,000
	<u>\$ 5,264,696</u>	<u>\$ 5,264,696</u>

The advances from the General Fund to the Debt Service Fund are to provide for operations of the Redevelopment Agency. The advances from the Debt Service Fund and Capital Improvement Capital Projects Fund to the Water Enterprise Fund are to provide funds for capital improvements.

See accompanying independent auditors' report.

CITY OF WESTMINSTER

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2004

3. INTERFUND RECEIVABLES/PAYABLES AND TRANSFERS (CONTINUED):

The compositions of the City's interfund transfer balances as of June 30, 2004 are as follows:

Governmental Activities:

	Transfers Out							Total
	General	Community Promotion	Housing and Community Development	Debt Service	Capital Improvements	Redevelopment Projects	Other Governmental Funds	
<u>Transfers In:</u>								
General	\$ -	\$ 25,000	\$ -	\$ -	\$ 93,011	\$ -	\$ 366,237	\$ 484,248
Community Promotion	-	-	-	-	603,093	-	-	603,093
Housing and Community Development	212,506	-	-	-	426,654	-	-	639,160
Debt Service	-	-	-	-	5,784,208	5,275,000	-	11,059,208
Capital Improvements	457,000	-	930,000	-	-	-	-	1,387,000
Redevelopment Projects	334,888	-	-	-	-	-	1,200,000	1,534,888
Other Governmental Funds	34,277	-	-	533,815	1,730,718	3,175,611	-	5,474,421
Water Enterprise	-	-	-	-	1,756,000	-	60,000	1,816,000
Internal Service	10,000	-	-	-	1,013,357	-	-	1,023,357
	<u>\$ 1,048,671</u>	<u>\$ 25,000</u>	<u>\$ 930,000</u>	<u>\$ 533,815</u>	<u>\$ 11,407,041</u>	<u>\$ 8,450,611</u>	<u>\$ 1,626,237</u>	<u>\$ 24,021,375</u>

Business-type Activity:

	Transfers Out		
	Water Enterprise	Internal Service	Total
<u>Transfers In:</u>			
General	\$ 140,000	\$ 401,455	\$ 541,455
Housing and Community Development	10,000	-	10,000
Capital Improvements	1,462,086	596,683	2,058,769
Other Governmental Funds	10,000	95,496	105,496
	<u>\$ 1,622,086</u>	<u>\$ 1,093,634</u>	<u>\$ 2,715,720</u>

Transfers between/to Capital Improvements and Redevelopment Projects Funds from the other funds are to primarily fund capital projects, which are then transferred back to the original fund upon completion of the project.

See accompanying independent auditors' report.

# CITY OF WESTMINSTER

## NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

June 30, 2004

### 3. INTERFUND RECEIVABLES/PAYABLES AND TRANSFERS (CONTINUED):

The General Fund transferred monies to the Internal Service Fund to fund capital purchases in the Motor Pool/Equipment Internal Service Fund. Other transfers from the General Fund to the Community Promotion Fund, Capital Improvement Fund and Other Governmental Funds are for operations.

### 4. RECEIVABLES:

Receivables as of year end, including the applicable allowances for uncollectible accounts, are as follows:

#### Governmental Funds:

	General	Community Promotion	Housing and Community Development	Debt Service	Redevelopment Projects	Other Governmental	Total
Taxes	\$ 5,070,842	\$ 67,415	\$ -	\$ 565,123	\$ -	\$ 115,892	\$ 5,819,272
Accounts	129,690	-	-	-	6,060	-	135,750
Interest	410,894	1,305	-	132,159	104,125	-	648,483
Loans	-	-	2,143,136	-	720,000	23,811	2,886,947
Notes	-	-	-	-	-	1,938,188	1,938,188
Due from other governments	17,523	-	173,892	-	-	614,880	806,295
Net Total							
Receivables	<u>\$ 5,628,949</u>	<u>\$ 68,720</u>	<u>\$ 2,317,028</u>	<u>\$ 697,282</u>	<u>\$ 830,185</u>	<u>\$ 2,692,771</u>	<u>\$ 12,234,935</u>

#### Proprietary Funds:

	Enterprise	Internal Service	Total
Accounts	\$ 1,667,030	\$ 31,092	\$ 1,698,122
Interest	205	-	205
Other	4,728	47,406	52,134
Due from other governments	-	5,935	5,935
Net Total Receivables	<u>\$ 1,671,963</u>	<u>\$ 84,433</u>	<u>\$ 1,756,396</u>

### 5. LAND HELD FOR RESALE:

Land held for resale consists of property acquired by the Redevelopment Agency and held for resale. The property is carried at the lower of cost or estimated net realizable value. The estimated net realizable value as of June 30, 2004, is \$723,950 with this amount offset by a reservation of fund balance. Certain properties held by the Agency have been leased to private parties with future options to purchase.

See accompanying independent auditors' report.

CITY OF WESTMINSTER

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2004

6. CAPITAL ASSETS:

A summary of changes in the Governmental Activities capital assets at June 30, 2004 is as follows:

<b>Governmental Activities:</b>	<u>Balance at June 30, 2003</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at June 30, 2004</u>
Capital assets, not being depreciated:				
Land	\$ 6,205,977	\$ -	\$ (2,054,049)	\$ 4,151,928
Construction in progress	<u>3,895,119</u>	<u>1,344,070</u>	<u>(794,898)</u>	<u>4,444,291</u>
Total capital assets, not being depreciated	<u>10,101,096</u>	<u>1,344,070</u>	<u>(2,848,947)</u>	<u>8,596,219</u>
Capital assets, being depreciated:				
Buildings	13,050,125	174,776	-	13,224,901
Improvements other than buildings	3,848,344	775,469	-	4,623,813
Vehicles, machinery and equipment	5,390,868	378,479	(412,731)	5,356,616
Office furniture and equipment	4,565,151	445,742	(101,679)	4,909,214
Leased property	1,311,631	-	(149,372)	1,162,259
Infrastructure	<u>191,549,643</u>	<u>3,799,345</u>	<u>-</u>	<u>195,348,988</u>
Total capital assets being depreciated	<u>219,715,762</u>	<u>5,573,811</u>	<u>(663,782)</u>	<u>224,625,791</u>
Less accumulated depreciation for:				
Buildings	(5,716,590)	(292,025)	-	(6,008,615)
Improvements other than buildings	(2,081,420)	(118,143)	-	(2,199,563)
Vehicles, machinery and equipment	(3,267,675)	(340,138)	396,550	(3,211,263)
Office furniture and equipment	(2,225,658)	(516,247)	81,104	(2,660,801)
Leased property	(805,943)	(116,615)	111,816	(810,742)
Infrastructure	<u>(101,778,742)</u>	<u>(3,979,851)</u>	<u>-</u>	<u>(105,758,593)</u>
Total accumulated depreciation	<u>(115,876,028)</u>	<u>(5,363,019)</u>	<u>589,470</u>	<u>(120,649,577)</u>
Total capital assets being depreciated, net	<u>103,839,734</u>	<u>210,792</u>	<u>(74,312)</u>	<u>103,976,214</u>
Governmental activities capital assets, net	<u>\$113,940,830</u>	<u>\$ 1,554,862</u>	<u>\$ (2,923,259)</u>	<u>\$ 112,572,433</u>

See accompanying independent auditors' report.

CITY OF WESTMINSTER

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2004

6. CAPITAL ASSETS (CONTINUED):

A summary of changes in the Business-type Activity capital assets at June 30, 2004 is as follows:

<b>Business-type Activity:</b>	<u>Balance at June 30, 2003</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at June 30, 2004</u>
Capital assets, not being depreciated:				
Land and land rights	\$ 2,015,496	\$ -	\$ -	\$ 2,015,496
Construction in progress	<u>12,379,161</u>	<u>157,738</u>	<u>-</u>	<u>12,536,899</u>
Total capital assets, not being depreciated	<u>14,394,657</u>	<u>157,738</u>	<u>-</u>	<u>14,552,395</u>
Capital assets, being depreciated:				
Buildings	85,449	-	-	85,449
Improvements other than buildings	64,839	-	-	64,839
Water distribution lines	41,099,102	-	-	41,099,102
Machinery and equipment	10,019,041	-	(64,595)	9,954,446
Office furniture and equipment	<u>141,590</u>	<u>9,256</u>	<u>-</u>	<u>150,846</u>
Total capital assets being depreciated	<u>51,410,021</u>	<u>9,256</u>	<u>(64,595)</u>	<u>51,354,682</u>
Less accumulated depreciation for:				
Buildings	(85,449)	-	-	(85,449)
Improvements other than buildings	(33,476)	(2,851)	-	(36,327)
Water distribution lines	(20,322,873)	(632,294)	-	(20,955,167)
Machinery and equipment	(4,213,447)	(498,792)	64,595	(4,647,644)
Office furniture and equipment	<u>(73,134)</u>	<u>(10,815)</u>	<u>-</u>	<u>(83,949)</u>
Total accumulated depreciation	<u>(24,728,379)</u>	<u>(1,144,752)</u>	<u>64,595</u>	<u>(25,808,536)</u>
Total capital assets being depreciated, net	<u>26,681,642</u>	<u>(1,135,496)</u>	<u>-</u>	<u>25,546,146</u>
Business-type Activity capital assets, net	<u>\$ 41,076,299</u>	<u>\$ (977,758)</u>	<u>\$ -</u>	<u>\$ 40,098,541</u>

See accompanying independent auditors' report.

## CITY OF WESTMINSTER

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2004

## 6. CAPITAL ASSETS (CONTINUED):

Depreciation expense was charged to functions/programs of the primary government as follows:

**Governmental Activities:**

General government	\$ 59,600
Public safety	497,822
Public works	4,018,680
Community development	129,365
Community services	72,990
Internal service funds	<u>584,562</u>

Total depreciation expense - governmental activities \$ 5,363,019

**Business-type Activity:**

Water Fund	<u>\$ 1,144,752</u>
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## 7. LONG-TERM LIABILITIES:

The following is a summary of long-term liability transactions for the year ended June 30, 2004:

**Governmental Activities:**

	Balance July 1, 2003	Additions	Reductions	Deferred Bond Costs	Balance June 30, 2004	Amount Due Within One Year
Tax allocation bonds payable	\$36,385,000	\$ 5,900,000	\$ 805,000	\$ -	\$41,480,000	\$ 2,750,000
Certificates of participation	10,319,635	-	600,000	24,528	9,744,163	635,000
Notes payable	770,000	300,000	375,000	-	695,000	395,000
Capitalized lease	18,062	-	18,062	-	-	-
Compensated absences	1,928,793	669,218	788,907	-	1,809,104	1,549,040
Claims liabilities	<u>1,541,637</u>	<u>1,747,417</u>	<u>865,345</u>	<u>-</u>	<u>2,423,709</u>	<u>605,928</u>
Total Governmental Activities	<u>50,963,127</u>	<u>8,616,635</u>	<u>3,452,314</u>	<u>24,528</u>	<u>56,151,976</u>	<u>5,934,968</u>

See accompanying independent auditors' report.

CITY OF WESTMINSTER

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2004

7. LONG-TERM LIABILITIES (CONTINUED):

The following is a summary of long-term liability transactions for the year ended June 30, 2004 (Continued):

**Business-type Activity:**

	Balance July 1, 2003	Additions	Reductions	Deferred Bond Costs	Balance June 30, 2004	Amount Due Within One Year
Certificates of participation	\$ 4,183,950	\$ -	\$ 135,000	\$ 16,068	\$ 4,065,018	\$ 145,000
Loans payable	4,566,670	100,000	249,629	-	4,417,041	259,284
Compensated absences	106,390	35,657	45,654	-	96,393	96,393
Total Business-type Activity	8,857,010	135,657	430,283	16,068	8,578,452	500,677
<b>City Total</b>	<u>\$59,820,137</u>	<u>\$ 8,752,292</u>	<u>\$ 3,882,597</u>	<u>\$ 40,596</u>	<u>\$64,730,428</u>	<u>\$ 6,435,645</u>

**Governmental Activities:**

The Governmental Activities long-term liability transactions at June 30, 2004 are comprised of the following individual items:

Tax Allocation Bonds

\$40,250,000 Westminster Commercial Redevelopment Project No. 1, 1997 Tax Allocation Revenue Refunding Bonds dated December 1, 1997. The bonds are payable in annual installments ranging from \$640,000 to \$2,415,000 until maturity on August 1, 2027. Interest is payable monthly at a variable rate not to exceed 12%. The 1997 bonds were issued for the purpose of advance refunding \$28,475,000 Westminster Commercial Redevelopment Project No. 1, 1991 Tax Allocation Bonds Series A (1991 bonds), and the \$10,000,000 Westminster Commercial Redevelopment Project No. 1, 1993 Tax Allocation Parity Bonds (1993 bonds). Proceeds from the 1997 bonds were invested in an escrow fund with a trustee which together with earnings will pay interest and principal on the 1991 and 1993 bonds until fully retired. The 1991 and 1993 bonds are legally defeased and are no longer a liability of the Agency. The principal balance on the 1991 defeased bonds was fully paid as of June 30, 2004. The principal balance on the 1993 defeased bonds at June 30, 2004 to be paid by the trustee from the escrow fund was \$8,355,000.

See accompanying independent auditors' report.



CITY OF WESTMINSTER

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2004

7. LONG-TERM LIABILITIES (CONTINUED):

**Governmental Activities (Continued):**

Tax Allocation Bonds (Continued)

The 1997 bonds were issued pursuant to a tax-exempt interest rate swap agreement with AMBAC Financial Savings Limited Partnership (AFS-LP), whereby the Redevelopment Agency pays a "fixed" interest rate of 4.62% plus a "liquidity assurance" fee of .25% to AFS-LP for the life of the financing. AFS-LP pays the bondholders based on the variable rate calculation. Under the swap agreement, the Redevelopment Agency owes interest calculated at a fixed rate of 4.62% to the counterparty (AFS-LP). In return, the counterparty owes the Agency interest based on a variable rate that matches the rate required by the bonds. Only the net difference in interest payments is actually exchanged with the counterparty. The bond principal is not exchanged; it is only the basis on which the interest payments are calculated.

The Agency continues to pay interest to the bondholders at the variable rate provided by the bonds. However, during the term of the swap agreement, the Agency effectively pays a fixed rate on the debt. The debt service requirements to maturity for these bonds are based on that fixed rate. The Agency will be exposed to variable rates if the swap agreement is terminated by the Agency. In the event of any counterparty default, the counterparty swap payment is insured by AMBAC. Further, if there is an AMBAC downgrade, AMBAC will post collateral to the counterparty for the principal. A termination of the swap agreement may also result in the Agency's making or receiving a termination payment.

\$ 35,390,000

\$450,000 Westminster Commercial Redevelopment Project No. 1, 1991 Subordinate Taxable Tax Allocation Bonds, Series B, dated October 1, 1991 payable in the amounts of \$225,000 on December 1, 2002 and \$225,000 on December 1, 2007. The bonds are subject to mandatory redemption at a price equal to the principal and accrued interest, without premium. Interest is paid semiannually at rates of 10.25% and 10.50% per annum.

190,000

See accompanying independent auditors' report.

CITY OF WESTMINSTER

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2004

7. LONG-TERM LIABILITIES (CONTINUED):

**Governmental Activities (Continued):**

Tax Allocation Bonds (Continued)

\$5,900,000 Westminster Commercial Redevelopment Project No. 2, 2004 Subordinate Tax Allocation Notes, dated May 1, 2004. The notes are payable in annual installments ranging from \$1,900,000 to \$2,035,000 until maturity on May 1, 2007. The notes are subject to optional call and redemption prior to maturity on any date after November 1, 2004 at a redemption price equal to the principal amount thereof plus interest accrued to the date of redemption together with a redemption premium equal to a date based assigned percentage of the principal. Interest is paid semiannually at a rate of 3.50% per annum.

\$ 5,900,000

Total Tax Allocation Bonds

\$ 41,480,000

Certificates of Participation

\$13,600,000 Westminster Variable Rate Demand Certificates of Participation, Series 1998A (1998 Civic Center Refunding Program), dated October 1, 1998. The Certificates are payable in annual installments ranging from \$300,000 to \$815,000 until maturity on June 1, 2022. Interest is payable monthly at a variable rate not to exceed 12%. The 1998 Certificates were issued for the purpose of advance refunding the \$9,000,000 Civic Center and Street Improvement Project Certificates of Participation (1994 Certificates), and the \$5,000,000 Public Improvement Project Certificates of Participation (1995 Certificates). Proceeds from the Series 1998A Certificates were invested in an escrow fund with a trustee which together with earnings will pay interest and principal on the 1994 and 1995 Certificates until fully retired. The 1994 and 1995 Certificates are legally defeased and no longer a liability of the City. The principal balances on the 1994 and 1995 defeased Certificates of Participation at June 30, 2004 to be paid by the trustee from the escrow fund were \$5,820,000 and \$4,210,000, respectively.

See accompanying independent auditors' report.

CITY OF WESTMINSTER

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2004

7. LONG-TERM LIABILITIES (CONTINUED):

**Governmental Activities (Continued):**

Certificates of Participation (Continued)

The 1998 Certificates were issued pursuant to a tax-exempt interest rate swap agreement with AMBAC Financial Savings Limited Partnership (AFS-LP), whereby the City pays a "fixed" interest rate of 4.115% plus a "liquidity assurance" fee of .25% to AFS-LP for the life of the financing. AFS-LP pays the certificate holders based on the variable rate calculation. Under the swap agreement, the City owes interest calculated at a fixed rate of 4.115% to the counterparty (AFS-LP). In return, the counterparty owes the City interest based on a variable rate that matches the rate required by the certificates. Only the net difference in interest payments is actually exchanged with the counterparty. The certificate principal is not exchanged; it is only the basis on which the interest payments are calculated.

The City continues to pay interest to the certificate holders at the variable rate provided by the certificates. However, during the term of the swap agreement, the City effectively pays a fixed rate on the debt. The debt service requirements to maturity for these certificates are based on that fixed rate. The City will be exposed to variable rates if the swap agreement is terminated by the City. In the event of any counterparty default, the counterparty swap payment is insured by AMBAC. Further, if there is an AMBAC downgrade, AMBAC will post collateral to the counterparty for the principal. A termination of the swap agreement may also result in the City's making or receiving a termination payment.

Gross Principal	\$ 10,110,000
Less: Deferred Amounts on Advance Refunding	<u>(365,837)</u>
Net Amount Certificates of Participation	<u>\$ 9,744,163</u>

See accompanying independent auditors' report.

CITY OF WESTMINSTER

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2004

7. LONG-TERM LIABILITIES (CONTINUED):

**Governmental Activities (Continued):**

Section 108 Note Payable

\$2,900,000 in promissory notes dated February 1, 1995 guaranteed by the Secretary of the Department of Housing and Urban Development. The proceeds of the notes will be used for the acquisition of the Warner School Site, rehabilitation of the 15th Street Apartments, and development of the Rose Park. These notes are considered obligations of the general government and are being repaid from annual Community Development Block Grant funds. The notes are payable in annual installments ranging from \$235,700 to \$480,900 until maturity on August 1, 2004. Interest is payable semiannually on February 1 and August 1 at rates ranging from 7.71% to 8.24% per annum. \$ 395,000

California Housing Finance Agency Note Payable

\$300,000 note dated February 6, 2002, and executed on January 28, 2004. The principal is due January 28, 2014 with interest payable at a rate of 3%. 300,000

Total Notes Payable \$ 695,000

Capitalized Lease

The capital lease was paid in full during the fiscal year ended June 30, 2004.

Compensated Absences/Claims Liabilities

Compensated absences and claims liabilities are being liquidated in the internal service funds. These internal service funds predominately serve the governmental funds. Accordingly, these liabilities are part of the total liabilities for governmental activities.

See accompanying independent auditors' report.

CITY OF WESTMINSTER

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2004

7. LONG-TERM LIABILITIES (CONTINUED):

**Business-type Activity:**

The Business-type Activity long-term liability transactions at June 30, 2004 are comprised of the following individual items:

Certificates of Participation

\$5,210,000 Westminster Variable Rate Demand Certificates of Participation, Series 1998B (1998 Water System Refunding Program), dated October 1, 1998. The certificates are payable in annual installments ranging from \$115,000 to \$320,000 until maturity on June 1, 2024. Interest is payable monthly at a variable rate not to exceed 12%. The 1998 Certificates were issued for the purpose of advance refunding the \$5,300,000 1993 Water System Improvement Project Certificates of Participation (1993 Certificates). Proceeds from the 1998B Series Certificates were invested in an escrow fund with a trustee which together with earnings will pay interest and principal on the 1993 Certificates until fully retired. The 1993 Certificates are legally defeased and no longer a liability of the City. The principal balance on the 1993 defeased Certificates of Participation is fully paid.

The 1998 Certificates were issued pursuant to a tax-exempt interest rate swap agreement with AMBAC Financial Savings Limited Partnership (AFS-LP), whereby the City pays a "fixed" interest rate of 4.115% plus a "liquidity assurance" fee of .25% to AFS-LP for the life of the financing. AFS-LP pays the certificate holders based on the variable rate calculation. Under the swap agreement, the City owes interest calculated at a fixed rate of 4.115% to the counterparty (AFS-LP). In return, the counterparty owes the City interest based on a variable rate that matches the rate required by the certificates. Only the net difference in interest payments is actually exchanged with the counterparty. The certificate principal is not exchanged; it is only the basis on which the interest payments are calculated.

See accompanying independent auditors' report.

CITY OF WESTMINSTER

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2004

7. LONG-TERM LIABILITIES (CONTINUED):

**Business-type Activity (Continued):**

Certificates of Participation (Continued)

The City continues to pay interest to certificate holders at the variable rate provided by the certificates. However, during the term of the swap agreement, the City effectively pays a fixed rate on the debt. The debt service requirements to maturity for these certificates are based on that fixed rate. The City will be exposed to variable rates if the swap agreement is terminated by the City. In the event of any counterparty default, the counterparty swap payment is insured by AMBAC. Further, if there is an AMBAC downgrade, AMBAC will post collateral to the counterparty for the principal. A termination of the swap agreement may also result in the City's making or receiving a termination payment.

Gross Principal	\$ 4,385,000
Less: Deferred Amounts on Advance Refunding	<u>(319,982)</u>
Net Amount Certificates of Participation	<u>\$ 4,065,018</u>

The covenants authorizing the 1998 Water System Refunding Program Certificates of Participation stipulate that water rates must be maintained at levels sufficient to generate revenues in excess of certain predetermined amounts. Additionally, the City must establish certain management guidelines with respect to the operation of the water system. Resolution No. 3449, authorizing the issuance, terms and conditions of the 1998 Water System Refunding Program Certificates of Participation, includes a covenant requiring that the charges for the services, facilities and water costs of the enterprise be so fixed that the "net revenues" of the enterprise shall be at least 125% of the installment payments on the Certificates.

See accompanying independent auditors' report.

CITY OF WESTMINSTER

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2004

7. LONG-TERM LIABILITIES (CONTINUED):

**Business-type Activity (Continued):**

Certificates of Participation (Continued)

For the fiscal year ended June 30, 2004, the calculation of the Enterprise Fund's compliance with the rate coverage covenant is as follows:

Gross revenues:	
Charges for services	\$ 10,149,145
Investment income	141,345
Other	<u>13,635</u>
Total gross revenues	<u>10,304,125</u>
Operating expenses:	
Operating expenses	9,654,685
Depreciation and amortization	(1,149,900)
Vehicle replacement charges	<u>(129,389)</u>
Total operating costs	<u>8,375,396</u>
Net revenues	<u>\$ 1,928,729</u>
Installment payments:	
Principal payments	\$ 135,000
Interest payments	<u>194,352</u>
Total installment payments	<u>\$ 329,352</u>
Net revenues to installment payment coverage ratio	<u>586%</u>

City management believes it is in compliance with all such covenants.

Additionally, the City has agreed to maintain a replacement reserve at a level the City determines to be economically prudent. For the fiscal year ended June 30, 2004, the Enterprise Fund's capital equipment replacement reserve is as follows:

Capital equipment replacement reserve	<u>\$ 1,087,707</u>
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See accompanying independent auditors' report.

CITY OF WESTMINSTER

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2004

7. LONG-TERM LIABILITIES (CONTINUED):

**Business-type Activity (Continued):**

Loans Payable

\$889,355 loan payable to Orange County Water District, dated August 1, 2000. The loan is payable in annual installments ranging from \$31,449 to \$60,640 until maturity on February 1, 2020. Interest is payable at a fixed rate of 3.5%. The loan was issued as per a conjunctive use well construction program agreement with the Orange County Water District for the completion of a well. \$ 756,803

\$2,200,000 installment purchase agreement payable to Zions First National Bank, dated December 12, 2001. The agreement is payable in annual installments ranging from \$159,000 to \$247,000 until maturity on June 1, 2012. Interest is payable at a fixed rate of 4.5%. The agreement was issued to provide for financing of improvements to the City's water system. 1,701,000

\$2,000,000 installment sale agreement payable to California Infrastructure and Economic Development Bank, dated January 28, 2002. The agreement was issued to provide for the financing of a water tank. As of June 30, 2004 the project has been completed, and the loan is fully funded. The agreement is payable in annual installments ranging from \$40,000 to \$105,000 until maturity on August 1, 2032. Interest is payable at 3.26% per annum until fully funded. Once funded, the interest is payable at a fixed rate of 3.52% per annum. 1,959,238

Total Loans Payable \$ 4,417,041

Compensated Absences

Compensated absences expected to be liquidated by the Water Enterprise Fund are reported as a liability for Business-type Activity.

See accompanying independent auditors' report.



CITY OF WESTMINSTER

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2004

7. LONG-TERM LIABILITIES (CONTINUED):

**Governmental and Business-type Activity:**

Annual Amortization Requirements of Governmental and Business-type Long-Term Liabilities

The annual requirements to amortize all governmental and business-type long-term liabilities (excluding compensated absences, claims payable and capitalized lease) outstanding as of June 30, 2004, including interest payments are as follows:

Year Ending June 30,	Tax Allocation Bonds		
	Principal	Interest	Total
2005	\$ 2,750,000	\$ 1,908,396	\$ 4,658,396
2006	2,860,000	1,796,039	4,656,039
2007	2,975,000	1,678,933	4,653,933
2008	990,000	1,556,661	2,546,661
2009	980,000	1,506,048	2,486,048
2010-2014	5,655,000	6,730,340	12,385,340
2015-2019	7,170,000	5,139,068	12,309,068
2020-2024	9,095,000	3,120,696	12,215,696
2025-2029	9,005,000	683,748	9,688,748
	<u>\$ 41,480,000</u>	<u>\$ 24,119,929</u>	<u>\$ 65,599,929</u>

Year Ending June 30,	Certificates of Participation Governmental and Business-type Activity		
	Principal	Interest	Total
2005	\$ 780,000	\$ 615,683	\$ 1,395,683
2006	810,000	580,982	1,390,982
2007	840,000	544,970	1,384,970
2008	875,000	507,540	1,382,540
2009	920,000	468,365	1,388,365
2010-2014	3,935,000	1,774,045	5,709,045
2015-2019	3,920,000	969,030	4,889,030
2020-2024	<u>2,415,000</u>	<u>229,053</u>	<u>2,644,053</u>
	14,495,000	5,689,668	20,184,668
Less: deferred bond costs	(685,819)	-	(685,819)
	<u>\$ 13,809,181</u>	<u>\$ 5,689,668</u>	<u>\$ 19,498,849</u>

See accompanying independent auditors' report.

CITY OF WESTMINSTER

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2004

7. LONG-TERM LIABILITIES (CONTINUED):

**Governmental and Business-type Activity (Continued):**

Annual Amortization Requirements of Governmental and Business-type Long-Term Liabilities  
(Continued)

Year Ending June 30,	Section 108 Note Payable		
	Principal	Interest	Total
2005	\$ 395,000	\$ 16,274	\$ 411,274

Year Ending June 30,	Note Payable		
	Principal	Interest	Total
2014	\$ 300,000	\$ 90,000	\$ 390,000

Year Ending June 30,	Loans Payable		
	Principal	Interest	Total
2005	\$ 259,284	\$ 170,627	\$ 429,911
2006	271,033	160,336	431,369
2007	281,878	148,914	430,792
2008	293,822	137,031	430,853
2009	305,871	124,639	430,510
2010-2014	1,207,955	429,752	1,637,707
2015-2019	592,910	270,147	863,057
2020-2024	440,805	170,885	611,690
2025-2029	452,167	95,683	547,850
2030-2034	311,316	16,690	328,006
	<u>\$ 4,417,041</u>	<u>\$ 1,724,704</u>	<u>\$ 6,141,745</u>

See accompanying independent auditors' report.

## CITY OF WESTMINSTER

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2004

## 7. LONG-TERM LIABILITIES (CONTINUED):

**Governmental and Business-type Activity (Continued):**Annual Amortization Requirements of Governmental and Business-type Long-Term Liabilities  
(Continued)

Year Ending June 30,	Grand Totals		
	Principal	Interest	Total
2005	\$ 4,184,284	\$ 2,710,980	\$ 6,895,264
2006	3,941,033	2,537,357	6,478,390
2007	4,096,878	2,372,817	6,469,695
2008	2,158,822	2,201,232	4,360,054
2009	2,205,871	2,099,052	4,304,923
2010-2014	11,097,955	9,024,137	20,122,092
2015-2019	11,682,910	6,378,245	18,061,155
2020-2024	11,950,805	3,520,634	15,471,439
2025-2029	9,457,167	779,431	10,236,598
2030-2034	311,316	16,690	328,006
Less: deferred bond costs	(685,819)	-	(685,819)
	<u>\$ 60,401,222</u>	<u>\$ 31,640,575</u>	<u>\$ 92,041,797</u>

## 8. INTEREST RATE SWAP AGREEMENTS:

**Objective:**

As a means to lower borrowing costs when compared to fixed rate debt at the time of issuance, the City has entered into interest rate swap agreements in connection with its variable rate debt. The intention of the swaps was to artificially fix the City's variable interest rate on the bonds to a synthetic fixed rate. (See Note 7).

The City has entered into swap agreements related to the following Bonds/Certificates (Bonds):

Bond Issue	Date of Agreement	Synthetic Fixed Rate
\$40,250,000 1997 Tax Allocation Bonds (1997 Bonds)	December 17, 1997	4.870 %
\$13,600,000 Certificates of Participation, Series 1998A (1998A Certificates)	October 29, 1998	4.365 %
\$5,210,000 Certificates of Participation, Series 1998B (1998B Certificates)	October 29, 1998	4.365 %

See accompanying independent auditors' report.

CITY OF WESTMINSTER

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2004

8. INTEREST RATE SWAP AGREEMENTS (CONTINUED):

**Terms:**

Under the terms of each swap, the City pays the swap provider, AMBAC Financial Services LLP, a fixed payment of the remaining notational amount times the fixed rate. AMBAC Financial Services LLP, a related Company to the Insurer of the Bonds, AMBAC Assurance Corporation pays interest on the Bonds to the trustee. The swaps were entered into the same time the Bonds were issued. The notional value of the swaps will decline annually until the Bonds are repaid.

The notional value and the period when the Bonds are due are as follows:

<u>Bond Issue</u>	<u>Notational Value</u>	<u>Final Payment Year</u>
1997 Bonds	\$ 35,390,000	2027
1998A Certificates	10,110,000	2021
1998B Certificates	4,385,000	2023

**Fair Value:**

As of June 30, 2004 and September 30, 2004 the Swaps have negative fair values. The negative fair value of the swaps are practically offset by the reductions in total interest payments required under the variable rate bonds. Because the coupons on the variable rate bonds adjust weekly, the bonds do not have a corresponding fair value increase. The fair value was provided by the swap provider, AMBAC Financial Services LLP.

The negative fair value related to each of the swaps as follows:

<u>Bond Issue</u>	<u>Negative Fair Value</u>	
	<u>June 30, 2004</u>	<u>September 30, 2004</u>
1997 Bonds	\$ 2,581,394	\$ 3,422,473
1998A Certificates	252,179	571,328
1998B Certificates	64,840	242,531

See accompanying independent auditors' report.

CITY OF WESTMINSTER

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2004

8. INTEREST RATE SWAP AGREEMENTS (CONTINUED):

**Credit Risk:**

As of June 30, 2004, the City was not exposed to credit risk because the swaps had a negative fair value. However, should interest rate rise and the fair value of the swaps become positive, the Agency would be exposed to credit risk in the amount of the swaps fair value. The swap provider, AMBAC Financial Services LLP, was rated Aaa by Moodys Investor Service and AAA by Standard and Poors Rating Service as of June 30, 2004. To mitigate credit risk, the swap provides that if the bond insurer, AMBAC Assurance Corporation, rating is withdrawn, suspended or falls below AA- by Standard and Poors or Aa3 by Moodys, or the short term rating falls below A-1 or VMIG -1 the swap provider, AMBAC Financial Services LLP, will notify the City within 5 days of a Collateral Agent and the fair value of the swap will be fully collateralized by AMBAC Financial Services LLP with securities issued or guaranteed by the Federal Government, the Federal Home Loan Mortgage Corporation or Federal National Mortgage Association.

**Basis Risk:**

The swaps expose the City to basis risk. Under the swap agreements AMBAC Financial Service LLP has the right to determine each calculation period if certain adverse events such as a bond rating downgrade, event of taxability, or an issuer downgrade have increased the interest rate on the variable rate bonds. If so, AMBAC Financial Services LLP has the right to recalculate an Alternative Floating Rate and collected from the City the difference between the Bond Market Association Floating Rate Index or BMI Rate and the average rate on the variable rate bonds during the calculation period.

**Termination Risk:**

Each swap agreement has standard termination events such as failure to pay and bankruptcy. In addition to optional termination by the City the swap agreements may also be terminated by the City if the bond insurance provider, AMBAC Assurance Corporations ratings are withdrawn, suspended or lowered below A- by Standard and Poors or A3 by Moodys. The City or swap provider may terminate the swap if the other party fails to perform under the terms of the Agreement. If the swap is terminated, the variable rate bonds would no longer carry a synthetic fixed interest rate. Also, if at time of termination the swap has a negative fair value, the City would be liable to the swap provider, AMBAC Financial Services LLP for payment equal to the swaps fair value. If the City prepays the variable rate bonds, the City may still be liable to make payments under the swap agreement.

See accompanying independent auditors' report.

## CITY OF WESTMINSTER

### NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

June 30, 2004

#### 9. ASSESSMENT DISTRICT BONDS:

In July 1992, the City issued \$400,373 Limited Obligation Improvement Bonds, on behalf of Assessment District No. 92-1. Proceeds of the bonds were used to finance the construction of streets, storm drains, and traffic improvements. The bonds are secured by the unpaid assessments, together with interest thereon, on parcels within the District. The City is in no way liable for repayment, but is only acting as an agent for the collection of principal and interest payments by property owners and remittance for such monies to the bondholders. At June 30, 2004, the unpaid obligation on the bonds was \$245,000 and cash and investments for bonds and interest coupons redemption of \$78,651 was held by the City and recorded on the 1915 Act Bonds Agency Fund.

#### 10. PASS-THROUGH AGREEMENTS:

The Westminster Redevelopment Agency has entered into agreements with various governmental entities to "pass-through" portions of tax increments received to entities which are located within the Agency's project area. Tax incremental revenues passed through to other agencies during fiscal year 2004 totaled \$3,123,520 and pass-throughs due and payable totaled \$3,348,694 at year-end and are recorded in the Debt Service Fund.

#### 11. PENSION PLAN:

##### **Plan Description:**

The City's defined benefit pension plans, the Miscellaneous and Safety Plans for the City of Westminster (Plans), provide retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. The Plans are part of the Public Agency portion of the California Public Employees' Retirement System (CalPERS), an agent multiple-employer plan administered by CalPERS, which acts as a common investment and administrative agent for participating public entities within the State of California. A menu of benefit provisions as well as other requirements are established by State statutes within the Public Employees' Retirement Law. The City selects optional benefit provisions from the benefit menu by contract with CalPERS and adopts those benefits through local ordinance. CalPERS issues a separate comprehensive annual financial report. Copies of CalPERS' annual financial report may be obtained from the CalPERS Executive Office: 400 P Street, Sacramento, CA 95814.

See accompanying independent auditors' report.

CITY OF WESTMINSTER

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2004

11. PENSION PLAN (CONTINUED):

**Funding Policy:**

Participants are required to contribute 7%-9% of their annual covered salary. The City makes the contributions required of City employees on their behalf and for their account. The City is required to contribute the actuarially determined remaining amounts necessary to fund the benefits for its members. The actuarial methods and assumptions used are those adopted by the CalPERS Board of Administration. The required employer contribution requirement for fiscal year 2004 was \$612,322 for miscellaneous employees and safety employees. The contribution requirements of the plan members are established by State statute and the employer contribution rate is established and may be amended by CalPERS.

**Annual Pension Cost:**

For fiscal year 2004, the City's actual and contributed annual pension cost was \$612,322. The required contribution for the fiscal year 2004 was determined as part of the June 30, 2003 actuarial valuation using the entry age normal actuarial cost method with the contributions determined as a percent of payroll. The actuarial assumptions included (a) 7.75% investment rate of return (net of administrative expenses), (b) projected salary increases that vary by duration of service ranging from 3.25% to 14.45% for miscellaneous members (from 3.25% to 13.15% for safety members), and (c) inflation of 3.00%, (d) payroll growth of 3.25%, and (e) an individual salary growth based on merit scale varying by duration of employment, coupled with an assumed annual inflation component of 3.00%, and an annual production growth of 0.25%.

The actuarial value of the Plans' assets were determined using a technique that smoothes the effect of short-term volatility in the market value of investments over a three year period. The Plans' initial unfunded liabilities are amortized over a closed period that depends on the Plans' date of entry into CalPERS. Subsequent plan amendments are amortized as a level percentage of pay over a closed 20 year period. Gains and losses that occur in the operation of the plan are amortized over an open 13 year period, which results in an amortization of 10% of unamortized gains and losses each year. If the Plans' accrued liability exceeds the actuarial value of plan assets, then the amortization payment on the total unfunded liability may not be lower than the payment calculated over a 30 year amortization period. The remaining Plans' amortization period at June 30, 2004 was 22 years for the Miscellaneous Plan and 17 years for the Safety Plan.

See accompanying independent auditors' report.

CITY OF WESTMINSTER

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2004

11. PENSION PLAN (CONTINUED):

**Three-Year Trend Information for the Miscellaneous and Safety Plans:**

<u>Fiscal Year</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage APC Contributed</u>	<u>Net Pension Obligation</u>
<u>Miscellaneous Employees</u>			
6/30/02	\$ 188,228	100%	\$ -
6/30/03	194,321	100%	-
6/30/04	-		-
<u>Safety Employees</u>			
6/30/02	\$ 612,093	100%	\$ -
6/30/03	656,840	100%	-
6/30/04	612,322	100%	-

**Schedule of Funding Progress for PERS (\$ Amount in Thousands):**

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Liability (AAL) Entry Age</u>	<u>Unfunded AAL (UAAL)</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>UAAL as a % of Covered Payroll</u>
	(A)	(B)	(B-A)	(A/B)	(C)	[(B-A)/C]
6/30/01:						
Misc.	\$ 58,213	\$ 43,863	\$ (14,350)	132.7 %	\$ 8,750	(164.000) %
Safety	<u>125,049</u>	<u>110,340</u>	<u>(14,709)</u>	113.3 %	<u>7,821</u>	(188.070) %
Total	<u>\$ 183,262</u>	<u>\$ 154,203</u>	<u>\$ (29,059)</u>	118.8 %	<u>\$ 16,571</u>	(175.361) %
6/30/02:						
Misc.	\$ 54,311	\$ 47,230	\$ (7,081)	115.0 %	\$ 9,368	(75.587) %
Safety	<u>116,305</u>	<u>116,746</u>	<u>441</u>	99.6 %	<u>8,435</u>	5.228 %
Total	<u>\$ 170,616</u>	<u>\$ 163,976</u>	<u>\$ (6,640)</u>	104.0 %	<u>\$ 17,803</u>	(37.297) %
6/30/03:						
Misc.	\$ 54,765	\$ 52,059	\$ (2,706)	105.2 %	\$ 9,330	(29.003) %
Safety	<u>3,577,742</u>	<u>4,270,574</u>	<u>692,832</u>	83.8 %	<u>476,090</u>	145.525 %
Total	<u>\$ 3,632,507</u>	<u>\$ 4,322,633</u>	<u>\$ 690,126</u>	84.0 %	<u>\$ 485,420</u>	142.171 %

See accompanying independent auditors' report.



CITY OF WESTMINSTER

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2004

11. PENSION PLAN (CONTINUED):

**Plan Description - Other Defined Contribution Pension Plans:**

Part-time, Seasonal and Temporary Employees-Alternate Retirement System Plan

Omnibus Budget Reconciliation Act of 1990 (OBRA 90) mandates that public sector employees who are not members of their employer's existing retirement system as of January 1, 1992 be covered by Social Security or an alternate plan. In accordance with this federal law, the City provides pension benefits for all part-time, seasonal and temporary employees through the City of Westminster Alternate Retirement System Plan administered by the Public Agency Retirement System (PARS-ARS). PARS-ARS is a defined contribution pension plan and benefits depend solely on amounts contributed to the plan plus investment earnings. Federal legislation requires defined contributions to the retirement plan of at least 7.5% of the employee's salary. Accordingly, contributions to the plan consist of 6% by the employee and 1.5% by the City. All part-time, seasonal or temporary employees are immediately eligible to participate in the plan from the date of employment and all contributions are fully vested.

For the year ended June 30, 2004, the City's payroll covered by the plan was \$1,511,178. Contributions to the plan totaled \$113,338 with employee contributions in the amount of \$90,422 (6.0% of current covered payroll) and City contributions in the amount of \$22,916 (1.52% of current covered payroll).

Law Enforcement - Public Agency Retirement System Supplement

All full-time and permanent personnel represented by the Westminster Police Officers' Association are eligible to participate in the Public Agency Retirement System Supplement to the California Public Employees' Retirement System Plan. This supplemental plan is administered by PARS with Union Bank of California and operates in conjunction with the City's CalPERS pension plan. As a defined contribution plan, the City contributes on the employees behalf fifty dollars per month for each year of service with the Employer with a maximum benefit of \$1,250 per month. Employee service time vests immediately. The employees, however, must retire from the City of Westminster to receive the retirement benefit. City contributions are made monthly to PARS and participants fully vest in these benefits. For the year ended June 30, 2004, 27 law enforcement personnel participated in the plan and the City's total contribution to the plan was \$240,000.

See accompanying independent auditors' report.

CITY OF WESTMINSTER

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2004

12. POSTRETIREMENT HEALTH CARE BENEFITS:

In addition to the pension benefits described in Note 11, the City provides postretirement health care benefits in accordance with memorandum of understanding agreements signed between the City and the various labor groups. Employees who retire from the City under the CalPERS retirement plan are eligible to have their medical, dental and life benefits continued in accordance with their eligibility level at retirement, subject to annual contribution caps of \$10,284 for all employees. The City's regular health care benefit providers underwrite the retiree's policies. Retirees may not convert the benefit into an in-lieu payment to secure coverage under independent plans.

As of year-end, there were 205 retired employees receiving postretirement benefits. The City finances the plan on a pay-as-you-go basis. For the year ended June 30, 2004, the City recognized as incurred \$1,324,813 of expenditures, which was net of \$71,402 of retiree contributions.

13. DEFERRED COMPENSATION:

Certain provisions of the Small Business Job Protection Act (the Act) effected Internal Revenue Code Section 457 plans by eliminating the requirement that Section 457 plan assets legally remain the assets of the sponsoring government. The Act requires that amounts deferred under a Section 457 plan be held in trust for the exclusive benefit of participating employees and not be accessible by the government or its creditors.

The City has implemented GASB 32, "Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans". The assets have been transferred into a trust, and are no longer subject to claims of the City's general creditors, and are no longer considered the assets of the City. The plan permits all City employees to defer a portion of their salary until future years. The amount deferred is not available to employees until termination, retirement, death or unforeseeable emergency.

The City contracts with private deferred compensation administration firms to act as an agent of the City to fulfill all the City's administrative responsibilities. The duties performed by this fiduciary on behalf of the City include assisting employees in the execution of investment transactions and providing summary and participant reporting of these investments.

Since the City has placed the assets into a trust and has little administrative involvement and does not perform the investing function for the plan, the assets have been removed from the City's financial statements.

See accompanying independent auditors' report.

## CITY OF WESTMINSTER

### NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

June 30, 2004

#### 14. RISK MANAGEMENT:

The City is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, injuries to employees, and natural disasters.

The City retains the risk of loss for general liability claims of up to \$350,000 per occurrence and workers compensation claims of up to \$275,000 per person per occurrence. The City has established the Risk Management and Compensation/Benefits Internal Service Funds to account for and finance these uninsured risks of loss, and liabilities are accrued when incurred, whether or not reported, in each of these Funds.

The City is also a member of the California Insurance Pool Authority (CIPA), a public entity risk pool consisting of 11 member cities in Orange County, California, which was established to pool resources, share risks, purchase excess insurance, and share costs for professional risk management and claims administration. Portions of general liability and workers compensation claims exceeding the above mentioned amounts are covered by CIPA up to a maximum \$5,000,000 per claim and \$20,000,000 annual aggregate amount for general liability claims. The coverage for workers' compensation extends to statutory limit. Member cities make payments to CIPA based on underwriting estimates and may be assessed the difference between funds available and the \$20,000,000 annual aggregate in proportion to their annual premiums. Additional coverage is maintained through a commercial insurer for claims in excess of the per claim units and the annual aggregate amounts.

The City continues to carry commercial insurance for all other risks of loss, including employee health, fire, water, boiler and machinery insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

All Funds of the City participate in the risk management program and make payments to the Risk Management and Compensation/Benefits Internal Service Funds based on estimates of the amounts needed to pay prior-year and current-year claims and to establish a reserve for catastrophic losses. At June 30, 2004, the Risk Management Fund had accumulated fund equity of \$4,889,661. Also, at June 30, 2004, the Compensation/Benefits Fund had a reserve for catastrophic losses of \$5,909,619, which is reported as net assets in this fund. The claims liabilities of \$502,547 and \$1,961,162 reported in the Risk Management and Compensation/Benefits Internal Service Funds, respectively, at June 30, 2004 are based on the requirements of Governmental Accounting Standards Board Statement No.10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the basic financial statements and amount of the loss can be reasonably estimated.

See accompanying independent auditors' report.

CITY OF WESTMINSTER

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2004

14. RISK MANAGEMENT (CONTINUED):

Changes in the Risk Management and Compensation/Benefits Internal Service Funds' claims liability amounts in fiscal years 2004 and 2003 were as follows:

	Risk Management Fund		Compensation/Benefits Fund	
	2004	2003	2004	2003
Beginning-year liability	\$ 441,668	\$ 2,455,729	\$ 1,099,969	\$ 1,018,809
Current-year claims and changes in estimates	114,638	(1,767,062)	1,632,779	922,416
Claim payments	(53,759)	(246,999)	(811,586)	(841,256)
Balance at fiscal year-end	<u>\$ 502,547</u>	<u>\$ 441,668</u>	<u>\$ 1,921,162</u>	<u>\$ 1,099,969</u>

15. RESERVES AND DESIGNATIONS OF FUND BALANCE:

Reserves segregate portions of fund balance that are not available spendable resources. The various reserves established as of June 30, 2004 were as follows:

	General	Community Promotion	Housing and Community Development	Debt Service	Capital Improvements	Redevelopment Projects	Other Governmental Funds	Total Governmental Funds
Reserves:								
Advances to other funds	\$ 1,836,620	\$ -	\$ -	\$ 2,139,526	\$ 1,288,550	\$ -	\$ -	\$ 5,264,696
Community promotion	-	309,721	-	-	-	-	-	309,721
Notes receivable	-	-	850,000	-	-	-	1,938,188	2,788,188
Low and moderate income housing	-	-	-	-	-	-	1,092,649	1,092,649
Debt service	-	235,956	-	7,534,398	-	-	1,921,344	9,691,698
Prepaid charges	18,524	6,000	-	-	-	839	-	25,363
Land held for resale	-	-	-	-	-	723,950	-	723,950
	<u>\$ 1,855,144</u>	<u>\$ 551,677</u>	<u>\$ 850,000</u>	<u>\$ 9,673,924</u>	<u>\$ 1,288,550</u>	<u>\$ 724,789</u>	<u>\$ 4,952,181</u>	<u>\$ 19,896,265</u>

See accompanying independent auditors' report.

CITY OF WESTMINSTER

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2004

15. RESERVES AND DESIGNATIONS OF FUND BALANCE (CONTINUED):

			Housing and				Other	Total
	General	Community	Community	Debt	Capital	Redevelopment	Governmental	Governmental
		Promotion	Development	Service	Improvements	Projects	Funds	Funds
Designations:								
General								
contingencies	\$ 1,935,325	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,935,325
Emergency								
reserves	1,746,433	-	-	-	-	-	-	1,746,433
Capital projects	-	-	-	-	30,624,025	14,472,570	-	45,096,595
Debt service	-	-	-	-	-	2,425,018	-	2,425,018
	<u>\$ 3,681,758</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 30,624,025</u>	<u>\$ 16,897,588</u>	<u>\$ -</u>	<u>\$ 51,203,371</u>

Reserved for Advances to Other Funds

These reserves represent the amounts that were advanced to other funds and are not anticipated to be repaid in the current year and are not considered as available resources.

Reserved Community Promotion

This reserve is for amounts to be used to provide funding for cable television broadcast and community promotion activities.

Reserved for Notes Receivable

This reserve is provided to indicate that the amounts that are to be paid on the notes are not considered "available" to meet the expenditures of the current period.

Reserved for Low and Moderate Income Housing

This reserve is the unexpended 20% portion of the tax increment revenue received under the California Health and Safety Code which is required to be used for Low and Moderate Income Housing.

Reserved for Debt Service

These reserves are amounts accumulated by the City that are restricted to the payment of long-term debt principal and interest amounts that mature in future years.

See accompanying independent auditors' report.

CITY OF WESTMINSTER

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2004

15. RESERVES AND DESIGNATIONS OF FUND BALANCE (CONTINUED):

Reserved for Prepaid Charges

This reserve represents contractual obligations for cash payments made before June 30, 2004, but will not be recognized as an expenditure until after July 1, 2004.

Reserved for Land Held for Resale

This reserve is provided to indicate that land held for resale is not "available" as a resource to meet the expenditures of the current period.

Designated for General Contingencies

These funds are designated for general contingencies of the City from the General Fund.

Designated for Emergency Reserves

These funds are designated as an emergency reserve of the City from the General Fund.

Designated for Capital Projects

These funds are designated to provide for future capital additions as determined by the City Council.

Designated for Debt Service

These funds are designated to provide for future debt payments as determined by the City Council.

16. OTHER REQUIRED INDIVIDUAL FUND DISCLOSURES:

The Parks Dedication Special Revenue Fund has a deficit fund balance of \$139,315 at June 30, 2004. This deficit is primarily the result of cash being transferred to the Capital Projects Funds prior to the funding of projects. As projects are completed and funded, revenues will be accrued in the Parks Dedication Special Revenue Fund.

See accompanying independent auditors' report.

CITY OF WESTMINSTER

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2004

17. COMMITMENTS AND CONTINGENCIES:

**Claims and Judgments:**

At June 30, 2004, the City was a defendant in a number of lawsuits arising in the ordinary course of operations which allege liability on the part of the City in connection with workers compensation and general liability matters. Management believes that potential losses relating to these lawsuits will not materially affect the financial position of the City.

**Grant Contingencies:**

The City participates in certain federal and state assisted grant programs. These programs are subject to program compliance audits by the grantors or their representatives. Any liability for reimbursement which may arise as the result of these audits is not believed to be material.

**Debt Contingencies:**

The Agency has a contingent liability with regard to the \$6.1 million Westminster Redevelopment Agency Multi-Family Housing Revenue Bonds issue dated December 16, 1993. At June 30, 2004, \$5.4 million of the original amount of \$6.1 million in bonds was outstanding. The proceeds of the bonds were loaned by the Westminster Redevelopment Agency to Elderly Development Westminster (Developer) pursuant to a loan agreement between the Agency, Bank of America (Trustee) and the Developer. The agreement was entered into simultaneously with the bond issuance and requires payments sufficient to pay principal and interest consistent with the term bond maturity dates.

If certain conditions are met, such assistance is further limited to 75% of debt service for the first 12 consecutive months, 75% of debt service for the next 12 consecutive months and 50% of annual debt service thereafter. The bondholders have no other recourse against Agency funds and in no event is the Agency liable for amounts in excess of the annual debt service.

See accompanying independent auditors' report.

CITY OF WESTMINSTER

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2004

17. COMMITMENTS AND CONTINGENCIES (CONTINUED):

**Debt Contingencies (Continued):**

Not included in the accompanying financial statements are Variable Rate Demand Multifamily Housing Revenue Bonds (Brookhurst Royale Senior Assisting Living Project) 2000 Series A and Subordinate Taxable Multifamily Housing Revenue Bonds (Brookhurst Royale Senior Assisted Living Project) 2000 Series A-S (collectively, the "Bonds"), conduit debt obligations issued under the name of the Redevelopment Agency. The Bonds were issued to finance the construction of a 117-unit residential care facility for the elderly. The Bonds are not secured by or payable from revenues or assets of the City or the Redevelopment Agency. Neither the faith and credit nor the taxing power of the City of Westminster, the Westminster Redevelopment Agency, the State of California or any political subdivision thereof is pledged to the payment of the principal of and interest on the Bonds nor is the City or the Agency in any manner obligated to make appropriations for payment on these bonds. At June 30, 2004, the aggregate principal amount of Bonds outstanding totaled \$10,800,000.

See accompanying independent auditors' report.



## CITY OF WESTMINSTER

BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND

For the year ended June 30, 2004

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Taxes	\$ 29,223,393	\$ 29,223,393	\$ 30,428,553	\$ 1,205,160
Licenses and permits	619,900	619,900	740,893	120,993
Fines	1,058,000	1,058,000	1,151,410	93,410
Investment and rental	537,891	537,891	236,404	(301,487)
Intergovernmental	174,200	204,130	91,415	(112,715)
Charges for services	5,059,955	5,059,955	4,931,292	(128,663)
Other	96,253	136,753	304,754	168,001
TOTAL REVENUES	36,769,592	36,840,022	37,884,721	1,044,699
EXPENDITURES:				
Current:				
General government	1,436,246	1,405,037	956,706	448,331
Public safety	28,381,311	27,924,885	26,996,794	928,091
Public works	3,501,451	3,381,053	3,020,997	360,056
Community development	2,279,613	2,300,013	2,004,080	295,933
Community services	1,748,790	1,712,248	1,525,923	186,325
Capital outlay	4,343	14,343	56,961	(42,618)
TOTAL EXPENDITURES	37,351,754	36,737,579	34,561,461	2,176,118
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(582,162)	102,443	3,323,260	3,220,817
OTHER FINANCING SOURCES (USES):				
Sale of equipment and property	4,000	4,000	4,834	834
Transfers in	1,004,394	1,014,394	1,048,671	34,277
Transfers out	(959,173)	(995,184)	(1,025,703)	(30,519)
TOTAL OTHER FINANCING SOURCES (USES)	49,221	23,210	27,802	4,592
NET CHANGE IN FUND BALANCE	(532,941)	125,653	3,351,062	3,225,409
FUND BALANCE - BEGINNING OF YEAR	12,450,935	12,450,935	12,450,935	-
FUND BALANCE - END OF YEAR	\$ 11,917,994	\$ 12,576,588	\$ 15,801,997	\$ 3,225,409

See accompanying independent auditors' report and note to required supplementary information.

## CITY OF WESTMINSTER

BUDGETARY COMPARISON SCHEDULE  
COMMUNITY PROMOTION SPECIAL REVENUE FUND

For the year ended June 30, 2004

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Taxes	\$ 355,000	\$ 355,000	\$ 351,000	\$ (4,000)
Investment and rental	47,814	47,814	70,239	22,425
Intergovernmental	-	592,368	190,000	(402,368)
Charges for services	-	-	76	76
Other	15,000	15,000	6,725	(8,275)
TOTAL REVENUES	417,814	1,010,182	618,040	(392,142)
EXPENDITURES:				
Current:				
Community development	209,983	209,383	166,923	42,460
Community services	25,000	25,000	23,855	1,145
Capital outlay	-	-	8,754	(8,754)
Debt service:				
Principal retirement	137,684	137,684	137,684	-
Interest and fiscal charges	104,272	104,272	104,272	-
TOTAL EXPENDITURES	476,939	476,339	441,488	34,851
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(59,125)	533,843	176,552	(357,291)
OTHER FINANCING SOURCES (USES):				
Transfers in	25,000	25,000	25,000	-
Transfers out	-	(603,093)	(603,093)	-
TOTAL OTHER FINANCING SOURCES (USES)	25,000	(578,093)	(578,093)	-
NET CHANGE IN FUND BALANCE	(34,125)	(44,250)	(401,541)	(357,291)
FUND BALANCE - BEGINNING OF YEAR	953,218	953,218	953,218	-
FUND BALANCE - END OF YEAR	\$ 919,093	\$ 908,968	\$ 551,677	\$ (357,291)

See accompanying independent auditors' report and note to required supplementary information.

## CITY OF WESTMINSTER

BUDGETARY COMPARISON SCHEDULE  
HOUSING AND COMMUNITY DEVELOPMENT SPECIAL REVENUE FUND

For the year ended June 30, 2004

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Investment and rental	\$ 8,500	\$ 8,500	\$ 5,553	\$ (2,947)
Intergovernmental	2,145,000	2,145,000	1,122,068	(1,022,932)
Other	30,000	30,000	333,302	303,302
TOTAL REVENUES	2,183,500	2,183,500	1,460,923	(722,577)
EXPENDITURES:				
Current:				
Community development	1,110,685	1,110,685	611,552	499,133
Capital outlay	600	600	-	600
Debt service:				
Principal retirement	375,000	375,000	375,000	-
Interest and fiscal charges	48,055	48,055	48,055	-
TOTAL EXPENDITURES	1,534,340	1,534,340	1,034,607	499,733
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	649,160	649,160	426,316	(222,844)
OTHER FINANCING SOURCES (USES):				
Transfers in	24,468	104,468	930,000	825,532
Transfers out	(673,628)	(673,628)	(649,160)	24,468
TOTAL OTHER FINANCING SOURCES (USES)	(649,160)	(569,160)	280,840	850,000
NET CHANGE IN FUND BALANCE	-	80,000	707,156	627,156
FUND BALANCE (DEFICIT) - BEGINNING OF YEAR	(304,366)	(304,366)	(304,366)	-
FUND BALANCE - END OF YEAR	\$ (304,366)	\$ (224,366)	\$ 402,790	\$ 627,156

See accompanying independent auditors' report and note to required supplementary information.

## CITY OF WESTMINSTER

### NOTE TO REQUIRED SUPPLEMENTARY INFORMATION

June 30, 2004

#### 1. BUDGETS AND BUDGETARY ACCOUNTING:

The City establishes accounting control through formal adoption of an annual operating budget for the General, Special Revenue and Debt Service Funds. The City Council's policy is to adopt a formal operating budget by June 30 of each year. The legal level of budgetary control, that is, the level at which expenditures cannot exceed appropriations, is the fund level for all General, Special Revenue and Debt Service Funds, and by project in the Capital Projects Funds.

The City Manager may authorize appropriation transfers within a single department, between capital projects with a single funding source, and between departments within the same fund. All increases at the overall fund level must be approved by the City Council. All budget appropriations, except capital project and grant funded budgets, lapse at the end of each fiscal year. The budget is adopted on a basis consistent with accounting principles generally accepted in the United States of America. All increases to the adopted budget require Council approval and must clearly state the amount of increase requested, as well as the availability of appropriate funding sources.

## SPECIAL REVENUE FUNDS

Special Revenue Funds account for the proceeds of specific revenue sources (other than expendable and nonexpendable trusts) that are restricted by law or City Council resolution to expenditure for specific purposes.

Parks Dedication Fund - accounts for payments assessed against new residential developments to support community parks. Amounts are required to be used for acquisition and improvement of City parks.

Special Police Services Fund - accounts for the regional and local narcotics suppression programs, Federal grants related to crime prevention and the Westminster Mall police patrol.

Municipal Lighting Fund - accounts for the City's share of property taxes collected under the Municipal Lighting District Act of 1919. Property taxes are collected by the County and paid to the City for operating and maintaining the municipal lighting district.

Special Gas Tax and Street Improvements Fund - accounts for revenues and expenditures apportioned under the Streets and Highways Code of the State of California, Measure M sales taxes, and various grant programs available for street-related expenditures. Expenditures may be made for any street-related purpose in the City's system of streets, including maintenance thereof.

Other Grants Fund - accounts for all Federal, State, County or other grants received which are not otherwise separately accounted for in other funds. These grants include summer youth, air quality management, and Safety, Health and Understanding in Education (S.H.U.E.).

Offsite Drainage District Fund - accounts for revenues received from developers and expenditures to provide storm drain systems within each District.

Redevelopment Agency (RDA) Low and Moderate Income Housing Fund - accounts for the 20% set-aside property tax increment revenues and the associated expenditures to be used for increasing or improving low and moderate income housing, as required by section 33334.2 of the Health and Safety Code.

CITY OF WESTMINSTER  
COMBINING BALANCE SHEET  
OTHER NONMAJOR SPECIAL REVENUE FUNDS

June 30, 2004

	Parks Dedication	Special Police Services	Municipal Lighting	Special Gas Tax and Street Improvements
<b>ASSETS</b>				
Cash and investments	\$ 569,685	\$ 517,239	\$ 894,091	\$ 1,327,660
Receivables, net of allowance:				
Taxes	-	-	19,508	464
Loans	-	-	-	-
Notes	-	-	-	-
Due from other governments	-	128,399	-	458,029
Restricted cash and investments	-	48,910	-	-
<b>TOTAL ASSETS</b>	<u>\$ 569,685</u>	<u>\$ 694,548</u>	<u>\$ 913,599</u>	<u>\$ 1,786,153</u>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>LIABILITIES:</b>				
Accounts payable and accrued liabilities	\$ -	\$ 64,848	\$ 41,776	\$ 23,985
Deposits	-	16,514	-	-
Deferred revenue	-	-	2,071	-
Due to other funds	709,000	-	-	1,645,000
<b>TOTAL LIABILITIES</b>	<u>709,000</u>	<u>81,362</u>	<u>43,847</u>	<u>1,668,985</u>
<b>FUND BALANCES (DEFICIT):</b>				
Reserved for:				
Notes receivable	-	-	-	-
Debt service	-	161,304	-	340,040
Low and moderate income housing	-	-	-	-
Unreserved - undesignated	(139,315)	451,882	869,752	(222,872)
<b>TOTAL FUND BALANCES (DEFICIT)</b>	<u>(139,315)</u>	<u>613,186</u>	<u>869,752</u>	<u>117,168</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$ 569,685</u>	<u>\$ 694,548</u>	<u>\$ 913,599</u>	<u>\$ 1,786,153</u>

See accompanying independent auditors' report.

Other Grants	Offsite Drainage District	RDA Low and Moderate Income Housing	Totals
\$ 235,956	\$ 72,886	\$ -	\$ 3,617,517
-	-	95,920	115,892
-	-	23,811	23,811
-	-	1,938,188	1,938,188
28,452	-	-	614,880
-	-	2,422,814	2,471,724
<u>\$ 264,408</u>	<u>\$ 72,886</u>	<u>\$ 4,480,733</u>	<u>\$ 8,782,012</u>
\$ 27,756	\$ -	\$ 6,085	\$ 164,450
-	-	-	16,514
-	-	23,811	25,882
13,200	-	-	2,367,200
<u>40,956</u>	<u>-</u>	<u>29,896</u>	<u>2,574,046</u>
-	-	1,938,188	1,938,188
-	-	1,420,000	1,921,344
-	-	1,092,649	1,092,649
223,452	72,886	-	1,255,785
<u>223,452</u>	<u>72,886</u>	<u>4,450,837</u>	<u>6,207,966</u>
<u>\$ 264,408</u>	<u>\$ 72,886</u>	<u>\$ 4,480,733</u>	<u>\$ 8,782,012</u>

## CITY OF WESTMINSTER

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
OTHER NONMAJOR SPECIAL REVENUE FUNDS

For the year ended June 30, 2004

	Parks Dedication	Special Police Services	Municipal Lighting	Special Gas Tax and Street Improvements
REVENUES:				
Taxes	\$ -	\$ -	\$ 803,703	\$ 2,735,267
Fines	-	5,200	-	-
Investment and rental	32,676	21,185	20,414	62,702
Intergovernmental	-	655,741	-	115,950
Charges for services	259,896	132,800	-	194,992
Other	11,649	41,000	-	314,654
TOTAL REVENUES	304,221	855,926	824,117	3,423,565
EXPENDITURES:				
Current:				
General government	-	-	-	-
Public safety	-	1,110,554	-	-
Community development	14,919	-	577,032	1,785,422
Community services	-	-	-	-
Capital outlay	-	267,808	-	-
Debt service:				
Principal retirement	-	91,789	-	193,498
Interest and fiscal charges	-	69,611	-	146,542
TOTAL EXPENDITURES	14,919	1,539,762	577,032	2,125,462
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	289,302	(683,836)	247,085	1,298,103
OTHER FINANCING SOURCES (USES):				
Proceeds from issuance of notes	-	-	-	-
Transfers in	-	426,237	-	-
Transfers out	(251,244)	(34,277)	-	(1,540,975)
TOTAL OTHER FINANCING SOURCES (USES)	(251,244)	391,960	-	(1,540,975)
NET CHANGE IN FUND BALANCES	38,058	(291,876)	247,085	(242,872)
FUND BALANCES (DEFICIT) - BEGINNING OF YEAR	(177,373)	905,062	622,667	360,040
FUND BALANCES (DEFICIT) - END OF YEAR	\$ (139,315)	\$ 613,186	\$ 869,752	\$ 117,168

See accompanying independent auditors' report.



Other Grants	Offsite Drainage District	RDA Low and Moderate Income Housing	Totals
\$ -	\$ -	\$ 3,595,512	\$ 7,134,482
-	-	-	5,200
4,604	1,434	92,239	235,254
498,202	-	-	1,269,893
-	11,699	-	599,387
69,446	-	27,057	463,806
<u>572,252</u>	<u>13,133</u>	<u>3,714,808</u>	<u>9,708,022</u>
71,897	-	-	71,897
-	-	-	1,110,554
129,585	642	512,128	3,019,728
239,618	-	-	239,618
-	-	-	267,808
-	-	-	285,287
-	-	-	216,153
<u>441,100</u>	<u>642</u>	<u>512,128</u>	<u>5,211,045</u>
<u>131,152</u>	<u>12,491</u>	<u>3,202,680</u>	<u>4,496,977</u>
-	-	300,000	300,000
-	-	1,200,000	1,626,237
(95,496)	-	(3,657,925)	(5,579,917)
<u>(95,496)</u>	<u>-</u>	<u>(2,157,925)</u>	<u>(3,653,680)</u>
35,656	12,491	1,044,755	843,297
<u>187,796</u>	<u>60,395</u>	<u>3,406,082</u>	<u>5,364,669</u>
<u>\$ 223,452</u>	<u>\$ 72,886</u>	<u>\$ 4,450,837</u>	<u>\$ 6,207,966</u>

## CITY OF WESTMINSTER

SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

## PARKS DEDICATION SPECIAL REVENUE FUND

For the year ended June 30, 2004

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Investment and rental	\$ 21,205	\$ 21,205	\$ 32,676	\$ 11,471
Charges for services	68,000	68,000	259,896	191,896
Other	-	-	11,649	11,649
TOTAL REVENUES	89,205	89,205	304,221	215,016
EXPENDITURES:				
Current:				
Community development	4,460	16,460	14,919	1,541
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	84,745	72,745	289,302	216,557
OTHER FINANCING USES:				
Transfers out	(141,048)	(251,244)	(251,244)	-
NET CHANGE IN FUND BALANCE	(56,303)	(178,499)	38,058	216,557
FUND BALANCE (DEFICIT) - BEGINNING OF YEAR	(177,373)	(177,373)	(177,373)	-
FUND BALANCE (DEFICIT) - END OF YEAR	\$ (233,676)	\$ (355,872)	\$ (139,315)	\$ 216,557

See accompanying independent auditors' report.

## CITY OF WESTMINSTER

SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

## SPECIAL POLICE SERVICES SPECIAL REVENUE FUND

For the year ended June 30, 2004

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Fines	\$ -	\$ -	\$ 5,200	\$ 5,200
Investment and rental	13,557	13,557	21,185	7,628
Intergovernmental	757,424	815,652	655,741	(159,911)
Charges for services	132,000	132,000	132,800	800
Other	40,000	41,000	41,000	-
TOTAL REVENUES	942,981	1,002,209	855,926	(146,283)
EXPENDITURES:				
Current:				
Public safety	1,358,796	1,293,585	1,110,554	183,031
Capital outlay	31,067	292,765	267,808	24,957
Debt service:				
Principal retirement	91,789	91,789	91,789	-
Interest and fiscal charges	69,515	69,515	69,611	(96)
TOTAL EXPENDITURES	1,551,167	1,747,654	1,539,762	207,892
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(608,186)	(745,445)	(683,836)	61,609
OTHER FINANCING SOURCES (USES):				
Transfers in	397,173	403,643	426,237	22,594
Transfers out	-	(6,470)	(34,277)	(27,807)
TOTAL OTHER FINANCING SOURCES (USES)	397,173	397,173	391,960	(5,213)
NET CHANGE IN FUND BALANCE	(211,013)	(348,272)	(291,876)	56,396
FUND BALANCE - BEGINNING OF YEAR	905,062	905,062	905,062	-
FUND BALANCE - END OF YEAR	\$ 694,049	\$ 556,790	\$ 613,186	\$ 56,396

See accompanying independent auditors' report.

## CITY OF WESTMINSTER

SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

## MUNICIPAL LIGHTING SPECIAL REVENUE FUND

For the year ended June 30, 2004

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Taxes	\$ 760,100	\$ 760,100	\$ 803,703	\$ 43,603
Investment and rental	10,373	10,373	20,414	10,041
TOTAL REVENUES	770,473	770,473	824,117	53,644
EXPENDITURES:				
Current:				
Community development	740,792	722,471	577,032	145,439
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	29,681	48,002	247,085	199,083
FUND BALANCE - BEGINNING OF YEAR	622,667	622,667	622,667	-
FUND BALANCE - END OF YEAR	\$ 652,348	\$ 670,669	\$ 869,752	\$ 199,083

See accompanying independent auditors' report.

## CITY OF WESTMINSTER

SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

## SPECIAL GAS TAX AND STREET IMPROVEMENTS SPECIAL REVENUE FUND

For the year ended June 30, 2004

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Taxes	\$ 2,987,244	\$ 2,987,244	\$ 2,735,267	\$ (251,977)
Investment and rental	47,708	47,708	62,702	14,994
Intergovernmental	-	283,662	115,950	(167,712)
Charges for services	60,000	60,000	194,992	134,992
Other	-	-	314,654	314,654
TOTAL REVENUES	3,094,952	3,378,614	3,423,565	44,951
EXPENDITURES:				
Current:				
Community development	1,940,389	1,926,404	1,785,422	140,982
Debt service:				
Principal retirement	193,498	193,498	193,498	-
Interest and fiscal charges	146,542	146,542	146,542	-
TOTAL EXPENDITURES	2,280,429	2,266,444	2,125,462	140,982
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	814,523	1,112,170	1,298,103	185,933
OTHER FINANCING USES:				
Transfers out	(1,158,897)	(1,540,975)	(1,540,975)	-
NET CHANGE IN FUND BALANCE	(344,374)	(428,805)	(242,872)	185,933
FUND BALANCE - BEGINNING OF YEAR	360,040	360,040	360,040	-
FUND BALANCE - END OF YEAR	\$ 15,666	\$ (68,765)	\$ 117,168	\$ 185,933

See accompanying independent auditors' report.

## CITY OF WESTMINSTER

SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

## OTHER GRANTS SPECIAL REVENUE FUND

For the year ended June 30, 2004

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Investment and rental	\$ 3,236	\$ 3,236	\$ 4,604	\$ 1,368
Intergovernmental	513,697	513,697	498,202	(15,495)
Other	137,804	85,304	69,446	(15,858)
TOTAL REVENUES	654,737	602,237	572,252	(29,985)
EXPENDITURES:				
Current:				
General government	69,755	74,755	71,897	2,858
Community development	172,141	172,567	129,585	42,982
Community services	360,017	354,691	239,618	115,073
TOTAL EXPENDITURES	601,913	602,013	441,100	160,913
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	52,824	224	131,152	130,928
OTHER FINANCING SOURCES (USES):				
Transfers in	11,000	11,000	-	(11,000)
Transfers out	(11,000)	(11,000)	(95,496)	(84,496)
TOTAL OTHER FINANCING SOURCES (USES)	-	-	(95,496)	(95,496)
NET CHANGE IN FUND BALANCE	52,824	224	35,656	35,432
FUND BALANCE - BEGINNING OF YEAR	187,796	187,796	187,796	-
FUND BALANCE - END OF YEAR	\$ 240,620	\$ 188,020	\$ 223,452	\$ 35,432

See accompanying independent auditors' report.

## CITY OF WESTMINSTER

SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

## OFFSITE DRAINAGE DISTRICT SPECIAL REVENUE FUND

For the year ended June 30, 2004

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Investment and rental	\$ 777	\$ 777	\$ 1,434	\$ 657
Charges for services	-	-	11,699	11,699
TOTAL REVENUES	777	777	13,133	12,356
EXPENDITURES:				
Current:				
Community development	39	689	642	47
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	738	88	12,491	12,403
FUND BALANCE - BEGINNING OF YEAR	60,395	60,395	60,395	-
FUND BALANCE - END OF YEAR	\$ 61,133	\$ 60,483	\$ 72,886	\$ 12,403

See accompanying independent auditors' report.

## CITY OF WESTMINSTER

SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

## RDA LOW AND MODERATE INCOME HOUSING SPECIAL REVENUE FUND

For the year ended June 30, 2004

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Taxes	\$ 2,888,481	\$ 2,888,481	\$ 3,595,512	\$ 707,031
Investment and rental	33,985	33,985	92,239	58,254
Other	-	-	27,057	27,057
TOTAL REVENUES	2,922,466	2,922,466	3,714,808	792,342
EXPENDITURES:				
Current:				
Community development	1,085,563	499,368	512,128	(12,760)
TOTAL EXPENDITURES	1,085,563	499,368	512,128	(12,760)
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	1,836,903	2,423,098	3,202,680	779,582
OTHER FINANCING SOURCES (USES):				
Proceeds from issuance of notes	-	-	300,000	300,000
Transfers in	-	1,200,000	1,200,000	-
Transfers out	(2,214,659)	(3,646,164)	(3,657,925)	(11,761)
TOTAL OTHER FINANCING SOURCES (USES)	(2,214,659)	(2,446,164)	(2,157,925)	288,239
NET CHANGE IN FUND BALANCE	(377,756)	(23,066)	1,044,755	1,067,821
FUND BALANCE - BEGINNING OF YEAR	3,406,082	3,406,082	3,406,082	-
FUND BALANCE - END OF YEAR	\$ 3,028,326	\$ 3,383,016	\$ 4,450,837	\$ 1,067,821

See accompanying independent auditors' report.



## DEBT SERVICE FUND

The Redevelopment Agency Debt Service Fund accounts for the accumulation of resources for, and the payment of, long-term debt principal, interest and related costs other than those being financed by proprietary funds.

## CITY OF WESTMINSTER

SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

## REDEVELOPMENT AGENCY DEBT SERVICE FUND

For the year ended June 30, 2004

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Taxes	\$ 11,406,021	\$ 11,406,021	\$ 13,793,788	\$ 2,387,767
Investment and rental	87,363	87,363	22,290	(65,073)
TOTAL REVENUES	11,493,384	11,493,384	13,816,078	2,322,694
EXPENDITURES:				
Current:				
General government	3,195,669	3,345,669	3,841,296	(495,627)
Debt service:				
Principal retirement	805,000	805,000	805,000	-
Interest and fiscal charges	1,745,281	1,864,073	1,763,394	100,679
Note issuance cost	-	-	118,792	(118,792)
TOTAL EXPENDITURES	5,745,950	6,014,742	6,528,482	(513,740)
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	5,747,434	5,478,642	7,287,596	1,808,954
OTHER FINANCING SOURCES (USES):				
Proceeds form issuance of bonds	-	5,900,000	5,900,000	-
Transfers in	510,056	510,056	533,815	23,759
Transfers out	(5,275,000)	(11,056,208)	(11,059,208)	(3,000)
TOTAL OTHER FINANCING SOURCES (USES)	(4,764,944)	(4,646,152)	(4,625,393)	20,759
NET CHANGE IN FUND BALANCE	982,490	832,490	2,662,203	1,829,713
FUND BALANCE - BEGINNING OF YEAR	7,011,721	7,011,721	7,011,721	-
FUND BALANCE - END OF YEAR	\$ 7,994,211	\$ 7,844,211	\$ 9,673,924	\$ 1,829,713

See accompanying independent auditors' report.

## INTERNAL SERVICE FUNDS

Internal Service Funds finance and account for goods and services provided by one City department to other City departments, or to other governments, on a cost-reimbursement basis, including depreciation. The City used the following Internal Service Funds:

Risk Management Fund - accounts for the administration of the City's general liability insurance and for the payment of any related claims.

Compensation/Benefits Fund - finances and accounts for the City's group medical, vision and dental insurance, workers compensation insurance, unemployment insurance, employee life insurance and compensated absences.

Motor Pool/Equipment Fund - accounts for the maintenance and replacement of City-owned vehicles and equipment.

Facilities/Maintenance Fund - accounts for the City's buildings maintenance and utilities costs.

CITY OF WESTMINSTER  
COMBINING STATEMENT OF NET ASSETS  
INTERNAL SERVICE FUNDS

June 30, 2004

	ASSETS	Risk Management	Compensation/ Benefits
CURRENT ASSETS:			
Cash and investments		\$ 5,266,571	\$ 7,563,148
Accounts receivable		-	-
Other receivables		-	47,406
Due from other governments		-	-
Inventories		-	-
		<u>5,266,571</u>	<u>7,610,554</u>
TOTAL CURRENT ASSETS			
RESTRICTED ASSETS:			
Cash and investments		<u>494,647</u>	<u>2,005,353</u>
		<u>494,647</u>	<u>2,005,353</u>
TOTAL RESTRICTED ASSETS			
Deferred bond charges		<u>-</u>	<u>-</u>
CAPITAL ASSETS:			
Buildings		-	-
Vehicles		-	-
Machinery and equipment		-	-
Office furniture, computers and equipment		-	-
Leased property		-	-
Construction in progress		-	-
TOTAL CAPITAL ASSETS		<u>-</u>	<u>-</u>
Less accumulated depreciation		<u>-</u>	<u>-</u>
		<u>-</u>	<u>-</u>
NET CAPITAL ASSETS			
		<u>-</u>	<u>-</u>
TOTAL ASSETS		<u>5,761,218</u>	<u>9,615,907</u>

See accompanying independent auditors' report.

<u>Motor Pool/ Equipment</u>	<u>Facilities/ Maintenance</u>	<u>Totals</u>
\$ 2,173,844	\$ 67,434	\$ 15,070,997
31,092	-	31,092
-	-	47,406
5,935	-	5,935
39,617	-	39,617
<u>2,250,488</u>	<u>67,434</u>	<u>15,195,047</u>
<u>181,403</u>	<u>208,689</u>	<u>2,890,092</u>
<u>181,403</u>	<u>208,689</u>	<u>2,890,092</u>
<u>12,225</u>	<u>92,782</u>	<u>105,007</u>
-	3,708,897	3,708,897
2,972,042	-	2,972,042
470,189	21,544	491,733
1,342,702	350,273	1,692,975
1,162,258	-	1,162,258
261,536	278,776	540,312
<u>6,208,727</u>	<u>4,359,490</u>	<u>10,568,217</u>
<u>(3,720,799)</u>	<u>(614,794)</u>	<u>(4,335,593)</u>
<u>2,487,928</u>	<u>3,744,696</u>	<u>6,232,624</u>
<u>4,932,044</u>	<u>4,113,601</u>	<u>24,422,770</u>

(Continued)

CITY OF WESTMINSTER  
 COMBINING STATEMENT OF NET ASSETS  
 INTERNAL SERVICE FUNDS  
 (CONTINUED)

June 30, 2004

	<u>Risk Management</u>	<u>Compensation/ Benefits</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Accounts payable and accrued liabilities	\$ 9,010	\$ 51,367
Advances from other funds	360,000	-
Claims payable	125,637	480,291
Compensated absences	-	1,473,695
Certificates of participation	-	-
	<u>494,647</u>	<u>2,005,353</u>
TOTAL CURRENT LIABILITIES		
LONG-TERM LIABILITIES:		
Claims payable	376,910	1,440,871
Compensated absences	-	260,064
Certificates of participation	-	-
	<u>376,910</u>	<u>1,700,935</u>
TOTAL LONG-TERM LIABILITIES		
	<u>871,557</u>	<u>3,706,288</u>
TOTAL LIABILITIES		
NET ASSETS:		
Invested in capital assets, net of related debt	-	-
Restricted	-	-
Unrestricted	4,889,661	5,909,619
	<u>4,889,661</u>	<u>5,909,619</u>
TOTAL NET ASSETS	<u>\$ 4,889,661</u>	<u>\$ 5,909,619</u>

See accompanying independent auditors' report.

<u>Motor Pool/ Equipment</u>	<u>Facilities/ Maintenance</u>	<u>Totals</u>
\$ 106,028	\$ 21,364	\$ 187,769
-	-	360,000
-	-	605,928
53,590	21,755	1,549,040
21,785	165,570	187,355
<u>181,403</u>	<u>208,689</u>	<u>2,890,092</u>
-	-	1,817,781
-	-	260,064
<u>318,080</u>	<u>2,111,652</u>	<u>2,429,732</u>
<u>318,080</u>	<u>2,111,652</u>	<u>4,507,577</u>
<u>499,483</u>	<u>2,320,341</u>	<u>7,397,669</u>
2,148,063	1,467,475	3,615,538
-	-	-
<u>2,284,498</u>	<u>325,785</u>	<u>13,409,563</u>
<u>\$ 4,432,561</u>	<u>\$ 1,793,260</u>	<u>\$ 17,025,101</u>

## CITY OF WESTMINSTER

COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS  
INTERNAL SERVICE FUNDS

For the year ended June 30, 2004

	Risk Management	Compensation/ Benefits
OPERATING REVENUES:		
Charges for services	\$ 1,658,938	\$ 9,030,763
Other	847,633	284,012
TOTAL OPERATING REVENUES	2,506,571	9,314,775
OPERATING EXPENSES:		
Salaries	87,190	2,784,162
Maintenance and operations	434,925	1,321,664
Insurance premiums and legal fees	735,674	2,109,145
Claims and benefits	114,638	3,891,600
Depreciation and amortization	-	-
TOTAL OPERATING EXPENSES	1,372,427	10,106,571
OPERATING INCOME	1,134,144	(791,796)
NONOPERATING REVENUES (EXPENSES):		
Investment income	-	-
Interest and fiscal charges	-	(60)
Gain (loss) on sale of property and equipment	-	-
TOTAL NONOPERATING REVENUES (EXPENSES)	-	(60)
NET INCOME BEFORE TRANSFERS	1,134,144	(791,856)
Transfers in	-	-
Transfers out	-	(10,000)
CHANGE IN NET ASSETS	1,134,144	(801,856)
TOTAL NET ASSETS - BEGINNING OF YEAR	3,755,517	6,711,475
TOTAL NET ASSETS - END OF YEAR	\$ 4,889,661	\$ 5,909,619

See accompanying independent auditors' report.



Motor Pool/ Equipment	Facilities/ Maintenance	Totals
\$ 2,515,932	\$ 1,369,999	\$ 14,575,632
118,865	10	1,250,520
2,634,797	1,370,009	15,826,152
763,587	402,320	4,037,259
1,234,883	511,264	3,502,736
-	-	2,844,819
-	-	4,006,238
484,372	104,511	588,883
2,482,842	1,018,095	14,979,935
151,955	351,914	846,217
104,383	20,725	125,108
(16,306)	(144,370)	(160,736)
13,123	-	13,123
101,200	(123,645)	(22,505)
253,155	228,269	823,712
1,040,574	53,060	1,093,634
(968,357)	(45,000)	(1,023,357)
325,372	236,329	893,989
4,107,189	1,556,931	16,131,112
\$ 4,432,561	\$ 1,793,260	\$ 17,025,101

## CITY OF WESTMINSTER

COMBINING STATEMENT OF CASH FLOWS  
INTERNAL SERVICE FUNDS

For the year ended June 30, 2004

	Risk Management	Compensation/ Benefits
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Receipts from customer	\$ 2,509,303	\$ 9,326,823
Payment to suppliers	(1,013,363)	(6,632,555)
Payment to employees	(87,190)	(2,784,162)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>1,408,750</u>	<u>(89,894)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>		
Cash received from other funds	-	-
Cash paid to other funds	-	(10,000)
NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES	<u>-</u>	<u>(10,000)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>		
Acquisition of capital assets	-	-
Proceeds from sale of property	-	-
Principal payment on bonds	-	-
Interest and fiscal charges	-	(60)
Payment of capital lease obligation	-	-
NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES	<u>-</u>	<u>(60)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Investment income	-	-
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	1,408,750	(99,954)
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>4,352,468</u>	<u>9,668,455</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 5,761,218</u>	<u>\$ 9,568,501</u>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:</b>		
Operating income (loss)	\$ 1,134,144	\$ (791,796)
Depreciation and amortization	-	-
Changes in operating assets and liabilities:		
(Increase) decrease in accounts receivable	2,732	(12,048)
(Increase) decrease in prepaid charges	236,772	-
(Increase) decrease in inventories	-	-
(Increase) decrease in due from other governments	-	-
Increase (decrease) in accounts payable and accrued liabilities	(25,777)	10,285
Increase (decrease) in claims payable	60,879	821,193
Increase (decrease) in compensated absences payable	-	(117,528)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>\$ 1,408,750</u>	<u>\$ (89,894)</u>

See accompanying independent auditors' report.

Motor Pool/ Equipment	Facilities/ Maintenance	Totals
\$ 2,620,138	\$ 1,370,009	\$ 15,826,273
(1,211,862)	(561,080)	(9,418,860)
(763,857)	(402,320)	(4,037,529)
644,419	406,609	2,369,884
1,040,574	53,060	1,093,634
(968,357)	(45,000)	(1,023,357)
72,217	8,060	70,277
(548,176)	(56,888)	(605,064)
13,123	-	13,123
(20,116)	(132,384)	(152,500)
(15,490)	(138,143)	(153,693)
-	(18,062)	(18,062)
(570,659)	(345,477)	(916,196)
104,386	20,725	125,111
250,363	89,917	1,649,076
2,104,884	186,206	16,312,013
\$ 2,355,247	\$ 276,123	\$ 17,961,089
\$ 151,955	\$ 351,914	\$ 846,217
484,372	104,511	588,883
(14,659)	-	(23,975)
4,475	140	241,387
2,366	-	2,366
11,241	-	11,241
(4,083)	(39,043)	(58,618)
-	-	882,072
8,752	(10,913)	(119,689)
\$ 644,419	\$ 406,609	\$ 2,369,884

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## AGENCY FUND

Agency funds are used to account for assets held by the City as an agent for individuals, principle organizations, other governments and/or funds.

1915 Acts Bonds Fund - accounts for the collection of assessments and debt repayments on the Limited Obligation Improvement Bonds issued to finance the costs of acquisition of streets, storm drains and traffic improvements in Assessment District No. 92-1.

CITY OF WESTMINSTER

STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
1915 ACT BONDS AGENCY FUND

For the year ended June 30, 2004

	Balance July 1, 2003	Additions	Deletions	Balance June 30, 2004
ASSETS:				
Restricted cash and investments	\$ 77,266	\$ 40,868	\$ 39,483	\$ 78,651
LIABILITIES:				
Due to bondholders	\$ 77,266	\$ 40,868	\$ 39,483	\$ 78,651

See accompanying independent auditors' report.

CITY OF WESTMINSTER  
GOVERNMENT-WIDE EXPENSES BY PROGRAM

Last Two Fiscal Years

<u>Fiscal Year</u>	<u>General Government</u>	<u>Public Safety</u>	<u>Public Works</u>	<u>Community Development</u>	<u>Community Services</u>	<u>Interest on Long-term Debt</u>	<u>Water Utility</u>	<u>Total</u>
2003 - 04	\$ 6,433,847	\$ 28,682,303	\$ 3,600,981	\$ 14,275,910	\$ 1,862,386	\$ 2,303,688	\$ 10,077,883	\$ 67,236,998
2002 - 03	4,392,839	27,244,747	5,435,120	10,286,472	2,027,702	2,397,431	8,871,713	60,656,024

Fiscal year 2002-2003 was the first year of implementation of the government-wide expenses by program. Current year totals will continue to be added to this schedule until a total of ten years is listed.

CITY OF WESTMINSTER  
GOVERNMENT-WIDE REVENUES BY SOURCE

Last Two Fiscal Years

Fiscal Year	Program Revenues			General Revenues			Total
	Charges for Service	Operating Grants and Contributions	Capital Grants and Contributions	Taxes	Unrestricted Investment Earnings	Misc.	
2003 - 04	\$ 18,208,166	\$ 5,958,376	\$ 216,666	\$ 50,509,617	\$ 911,414	\$ 746	\$ 75,804,985
2002 - 03	17,213,345	7,556,590	1,442,637	44,898,817	1,800,728	2,023,673	74,935,790

Fiscal year 2002-2003 was the first year of implementation of the government-wide revenues by source. Current year totals will continue to be added to this schedule until a total of ten years is listed.



CITY OF WESTMINSTER

GENERAL GOVERNMENTAL EXPENDITURES BY FUNCTION

Last Ten Fiscal Years

Fiscal Year	(A) General Government	(B) Public Safety	(C) Community Development	(D) Community Services	Capital Outlay	(E) Debt Service	(F) Other	Total
2003 - 04	\$ 4,869,899	\$ 28,107,348	\$ 10,315,348	\$ 1,789,396	\$ 10,126,674	\$ 3,853,637	\$ -	\$ 59,062,302
2002 - 03	4,402,404	28,289,482	11,573,277	2,102,260	5,680,079	3,782,268	-	55,829,770
2001 - 02	3,395,998	26,756,855	10,158,593	2,745,200	6,804,432	3,855,352	-	53,716,430
2000 - 01	2,137,042	25,773,328	8,953,416	2,511,931	5,225,598	3,935,455	-	48,536,770
1999 - 00	1,467,135	25,418,018	9,037,056	1,825,226	4,610,610	3,928,620	-	46,286,665
1998 - 99	1,353,078	23,548,706	7,913,486	1,516,316	3,222,722	5,229,329	-	42,783,637
1997 - 98	2,498,130 *	22,868,584	7,657,153	1,605,768	2,859,124	4,884,264	305,724	42,678,747
1996 - 97	1,495,060	21,778,332	6,933,736	1,330,293	4,117,656	5,047,733	2,426,016	43,128,826
1995 - 96	499,451	21,678,449	6,730,727	1,384,327	2,166,272	4,376,195	-	36,835,421
1994 - 95	599,981	21,372,057	6,156,446	1,263,394	4,464,193	3,879,816	-	37,735,887

(A) Legislation and Administration

(B) Police, Fire and RNSP

(C) Administration, Planning, Inspection, Engineering, Traffic Signals, Street Maintenance and Repair, Park Maintenance and Redevelopment Agency

(D) Culture and Recreation, JTPA Manpower and Cable TV

(E) Westminster Redevelopment Agency

(F) Represents write - down of property held for resale to net realizable value.

\* Includes data from the City's Expendable Trust Fund.

Note: Schedule includes the General, Special Revenue, Debt Service and Capital Projects Funds.

CITY OF WESTMINSTER

GENERAL GOVERNMENTAL REVENUES BY SOURCE

Last Ten Fiscal Years

Fiscal Year	(A) Taxes	Licenses and Permits	Fines	Interest and Rentals	Intergovernmental	Charges for Services	(B) Other	Total
2003 - 04	\$ 51,707,823	\$ 740,893	\$ 1,156,610	\$ 1,168,895	\$ 2,673,376	\$ 5,530,755	\$ 1,273,797	\$ 64,252,149
2002 - 03	47,794,596	683,574	1,133,471	2,142,508	5,390,846	6,048,718	875,049	64,068,762
2001 - 02	43,681,763	721,785	1,090,183	3,084,542	6,115,907	5,584,931	1,023,266	61,302,377
2000 - 01	39,144,334	555,355	1,080,779	4,454,706	5,395,887	4,964,532	387,290	55,982,883
1999 - 00	37,070,038	529,520	988,906	3,417,445	4,097,050	4,891,560	483,217	51,477,736
1998 - 99	33,972,235	796,997	977,099	2,553,196	3,069,046	5,608,500	1,296,916	48,273,989
1997 - 98	31,980,242	674,696	485,748	3,817,681 *	3,885,119	5,506,493	1,506,549 *	47,856,528
1996 - 97	28,293,425	592,505	587,302	2,486,345	3,242,592	3,944,102	707,782	39,854,053
1995 - 96	27,904,760	395,410	608,365	2,020,895	2,566,387	4,509,015	483,723	38,488,555
1994 - 95	25,249,078	433,881	613,297	1,812,424	2,931,112	3,937,476	1,220,908	36,198,176

(A) Property, sales, franchise, utility users, transient occupancy, business license, state intergovernmental, gas tax, municipal lighting and Redevelopment Agency property taxes.

(B) Property rental and sales, AB702 credits and surplus safety CalPERS credit

\* Includes data from the City's Expendable Trust Fund.

Note: Schedule includes the General, Special Revenue, Debt Service and Capital Projects Funds.

# CITY OF WESTMINSTER

## GENERAL GOVERNMENTAL TAX REVENUES BY SOURCE

### Last Ten Fiscal Years

Fiscal Year	(A) Property Tax	Sales Tax	Franchise Tax	Utility Users Tax	Transient OCC Tax	Business License Tax	State Inter - governmental	(B) Special Revenue	Debt Service	Total
2003 - 04	\$ 3,028,233	\$ 15,886,792	\$ 653,349	\$ 4,750,700	\$ 460,137	\$ 1,264,656	\$ 4,384,685	\$ 7,485,483	\$ 13,793,788	\$ 51,707,823
2002 - 03	2,839,403	15,196,645	500,462	4,548,381	403,393	887,209	5,411,162	6,879,197	11,128,744	47,794,596
2001 - 02	2,827,508	14,428,050	678,477	4,404,745	424,536	1,016,105	5,225,810	5,931,233	8,745,299	43,681,763
2000 - 01	3,162,445	14,544,205	578,338	4,247,135	409,727	1,113,442	4,850,251	5,229,279	5,009,512	39,144,334
1999 - 00	2,780,991	13,711,710	875,168	4,527,199	358,948	1,274,427	4,383,268	4,606,621	4,551,706	37,070,038
1998 - 99	2,615,004	12,439,144	846,704	4,488,634	336,325	1,244,402	3,934,380	4,206,283	3,861,359	33,972,235
1997 - 98	2,557,611	12,235,840	972,961	4,663,556	300,875	322,326	3,902,347	3,870,923	3,153,803	31,980,242
1996 - 97	2,353,733	10,091,097	751,326	4,193,643	271,964	320,364	3,349,997	2,897,525	4,063,776	28,293,425
1995 - 96	2,347,176	9,729,730	632,634	4,221,553	237,094	369,349	2,904,470	3,233,134	4,229,620	27,904,760
1994 - 95	2,334,932	8,633,722	758,284	3,921,514	237,326	322,327	2,999,340	2,551,140	3,490,493	25,249,078

(A) General government property and property transfer taxes

(B) Municipal Lighting, Special Gas Tax and Street Improvements, Community Promotion and Redevelopment Agency Low Moderate Income Housing.

CITY OF WESTMINSTER  
PROPERTY TAX LEVIES AND COLLECTIONS

Last Ten Fiscal Years

Fiscal Year	Total Levy	(A) Current Collections	Percentage of Levy Collected	Delinquent Collections	Total Collections	Percentage of Total Collections to Total Levy	Outstanding Delinquent Taxes	Percentage of Delinquent Taxes to Total Levy
2003 - 04	\$ 3,250,303	\$ 3,258,761	100.26%	\$ 141,527	\$ 3,400,288	104.61%	\$ (8,459)	-0.26%
2002 - 03	3,253,308	3,264,879	100.36%	125,173	3,390,052	104.20%	(11,571)	-0.36%
2001 - 02	3,278,382	3,289,060	100.33%	116,864	3,405,924	103.89%	(10,678)	-0.33%
2000 - 01	3,446,792	3,484,247	101.09%	122,916	3,607,163	104.65%	(37,455)	-1.09%
1999 - 00	3,276,654	3,306,660	100.92%	115,673	3,422,333	104.45%	(30,006)	-0.92%
1998 - 99	3,118,345	3,079,857	98.77%	86,722	3,166,579	101.55%	38,488	1.23%
1997 - 98	3,074,095	3,028,518	98.52%	57,540	3,086,058	100.39%	45,577	1.48%
1996 - 97	2,825,689	2,804,337	99.24%	53,353	2,857,690	101.13%	21,352	0.76%
1995 - 96	2,820,590	2,813,282	99.74%	73,690	2,886,972	102.35%	7,308	0.26%
1994 - 95	2,919,574	2,812,017	96.32%	98,107	2,910,124	99.68%	107,557	3.68%

(A) Includes Supplemental Collections

Sources: Orange County Assessor's Office  
Orange County Office of Auditor - Controller

## CITY OF WESTMINSTER

## ASSESSED AND ESTIMATED ACTUAL VALUE OF PROPERTY

## Last Ten Fiscal Years

Fiscal Year	Real Property		Personal Property		Exemptions	Total		Percentage of Total Assessed
	Assessed Value	Estimated	Assessed Value	Estimated	Real Property	Assessed Value	Estimated	Value to Total Estimated Actual Value
		Actual		Actual			Actual	
		Value		Value			Value	
2003 - 04	\$ 3,125,630,985	\$ 3,133,765,341	\$ 94,431,085	\$ 94,676,839	\$ 48,480,717	\$ 3,171,581,353	\$ 3,228,442,180	98.24%
2002 - 03	3,125,630,985	3,136,747,493	94,431,085	94,766,935	48,480,717	3,171,581,353	3,231,514,428	98.15%
2001 - 02	3,125,255,327	3,135,434,303	94,431,085	94,738,648	48,480,717	3,171,205,695	3,230,172,951	98.17%
2000 - 01	3,846,067,909	3,887,861,790	147,064,180	148,662,275	58,532,823	3,934,599,266	4,036,524,065	97.47%
1999 - 00	3,655,641,652	3,689,118,236	148,789,477	150,152,018	57,096,114	3,747,335,015	3,839,270,254	97.61%
1998 - 99	3,371,999,342	3,330,380,627	125,959,690	124,405,040	53,868,508	3,444,090,524	3,454,785,667	99.69%
1997 - 98	3,243,145,670	3,195,062,415	116,691,556	114,961,473	55,027,487	3,304,809,739	3,310,023,888	99.84%
1996 - 97	3,210,645,947	3,186,385,218	117,510,918	116,622,966	46,592,627	3,281,564,238	3,303,008,184	99.35%
1995 - 96	3,208,421,368	3,200,108,584	115,412,363	115,113,338	47,296,638	3,276,537,093	3,315,221,922	98.83%
1994 - 95	3,216,016,878	3,097,538,933	103,434,041	99,623,535	40,174,235	3,279,276,684	3,197,162,468	102.57%

Source: Orange County Auditor - Controller

CITY OF WESTMINSTER

PROPERTY TAX RATES - DIRECT AND OVERLAPPING GOVERNMENTS

Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>City of Westminster</u>	<u>Special Districts</u>	<u>County</u>	<u>School Districts</u>	<u>Total</u>
2003 - 04	1.000000	0.005800	0.000000	0.057530	1.063330
2002 - 03	1.000000	0.006100	0.000000	0.000510	1.006610
2001 - 02	1.000000	0.006700	0.000000	0.000000	1.006700
2000 - 01	1.000000	0.007700	0.000000	0.000000	1.007700
1999 - 00	1.000000	0.000009	0.000000	0.000000	1.000009
1998 - 99	1.000000	0.000009	0.000000	0.000000	1.000009
1997 - 98	1.000000	0.000009	0.000000	0.000000	1.000009
1996 - 97	1.000000	0.000009	0.000000	0.000000	1.000009
1995 - 96	1.000000	0.000009	0.000000	0.000000	1.000009
1994 - 95	1.000000	0.000010	0.000000	0.000000	1.000010

Rate per \$1000 assessed value

## CITY OF WESTMINSTER

## PRINCIPAL TAXPAYERS

June 30, 2004

<u>Taxpayers</u>	<u>Assessed Business Activity</u>	<u>Assessed Valuation</u>	<u>Percentage of Total Assessed Value</u>
Retail Property Trust	Commercial	\$ 116,424,007	3.67%
WRI Golden State LLC	Commercial	57,910,760	1.83%
Pan Pacific Retail Properties	Commercial	31,103,787	0.98%
Delma Corporation	Residential	16,250,950	0.51%
Asian Garden Limited	Commercial	19,895,888	0.63%
CMF Inc.	Commercial	17,931,245	0.57%
J.C. Penney Corporation Inc.	Commercial	12,427,319	0.39%
Dayton Hudson Corporation	Commercial	12,126,913	0.38%
California Drive In Theatres/Wal Mart	Commercial	14,697,539	0.46%
Realty Associated Fund IV Ltd Partner	Industrial	11,695,204	0.37%
		<u>\$ 310,463,612</u>	<u>9.79%</u>

Source: HdL, Coren &amp; Cone

CITY OF WESTMINSTER  
COMPUTATION OF LEGAL DEBT MARGIN

June 30, 2004

Assessed value (net of Redevelopment increment) - June 30, 2004	<u>\$ 3,171,581,353</u>
Debt Limit: 15% of assessed value	\$ 475,737,203
Less total debt applicable to limitation	<u>60,401,222 *</u>
LEGAL DEBT MARGIN	<u>\$ 536,138,425</u>

The legal debt margin for the City of Westminster, California is calculated using a debt limit of 15 percent of the assessed value of property within the City limits.

\* - Does not include advances from other funds.

Sources: Orange County Assessor's Office  
City Finance Department



CITY OF WESTMINSTER

RATIO OF NET GENERAL OBLIGATION BONDED DEBT  
TO ASSESSED VALUE AND PER CAPITA

Last Ten Fiscal Years

Fiscal Year	(A) Population	(B) Assessed Value	Civic Center Authority	Water Revenue Bond	Ratio of Net Bonded Debt to Assessed Value	Net Bonded Debt Per Capita
2003 - 04	90,643	\$ 3,171,581,353	\$ -	\$ -	-	-
2002 - 03	90,643	3,171,581,353	-	-	-	-
2001 - 02	89,297	3,171,205,695	-	-	-	-
2000 - 01	88,207	3,934,599,266	-	-	-	-
1999 - 00	86,248	3,747,335,015	-	-	-	-
1998 - 99	86,248	3,444,090,524	-	-	-	-
1997 - 98	84,835	3,304,809,739	-	-	-	-
1996 - 97	83,141	3,281,564,238	-	-	-	-
1995 - 96	82,536	3,276,537,093	-	-	-	-
1994 - 95	83,287	3,279,276,684	-	-	-	-

(A) State Department of Finance Estimates

(B) From Schedule of Assessed and Estimated Actual Value of Property

Sources: Orange County Assessor's Office  
City Finance Department

CITY OF WESTMINSTER

RATIO OF ANNUAL DEBT SERVICE EXPENDITURES  
FOR GENERAL OBLIGATION BONDED DEBT (1)  
TO TOTAL GENERAL GOVERNMENTAL EXPENDITURES

Last Ten Fiscal Years

Fiscal Year	Principal	Interest	Total Debt Service	Total General Governmental Expenditures	Ratio of Debt Service to General Governmental Expenditures
2003 - 04	\$ -	\$ -	\$ -	\$ 59,062,302	0.00%
2002 - 03	-	-	-	55,829,770	0.00%
2001 - 02	-	-	-	53,716,430	0.00%
2000 - 01	-	-	-	48,536,770	0.00%
1999 - 00	-	-	-	46,286,665	0.00%
1998 - 99	-	-	-	42,783,637	0.00%
1997 - 98	-	-	-	42,678,747	0.00%
1996 - 97	-	-	-	43,128,826	0.00%
1995 - 96	-	-	-	36,835,421	0.00%
1994 - 95	-	-	-	37,735,887	0.00%

(1) Civic Center Authority

## CITY OF WESTMINSTER

COMPUTATION OF DIRECT AND OVERLAPPING GOVERNMENTAL DEBT  
GENERAL OBLIGATIONS

For the year ended June 30, 2004

Jurisdiction	Net General Obligations Outstanding	Percentage Applicable to Government	Amount Applicable to Government
Direct:			
City of Westminster	\$ 10,355,000	100.00%	\$ 10,355,000
Overlapping:			
School	7,997,516	5.89%	471,241
Special Districts	1,760,605	0.67%	11,785
County	17,198,736	1.30%	224,000
TOTAL OVERLAPPING DEBT	26,956,857		707,026
TOTAL DIRECT AND OVERLAPPING DEBT	37,311,857		11,062,026
Less:			
Orange County Transportation Authority	(48,372)		-
MWDOC Water Facilities Corporation	(606,119)		-
NET COMBINED TOTAL DEBT	\$ 36,657,366		\$ 11,062,026

Source: California Municipal Statistics

CITY OF WESTMINSTER  
ENTERPRISE FUND FINANCING COVERAGE

Last Ten Fiscal Years

Fiscal Year	(A) Gross Revenues	(B) Operating Expenses	Net Revenue Available for Debt Service	(C) Principal	Interest	Total	Coverage
2003 - 04	#####	\$ 8,375,396	\$ 1,928,728	\$ 135,000	\$ 194,352	\$ 329,352	5.86
2002 - 03	9,637,017	7,384,480	2,252,537	130,000	201,135	331,135	6.82
2001 - 02	9,634,057	7,388,576	2,245,481	125,000	205,701	330,701	6.79
2000 - 01	9,619,952	7,865,648	1,754,304	120,000	211,048	331,048	5.30
1999 - 00	9,824,626	8,173,589	1,651,037	115,000	216,177	331,177	4.99
1998 - 99	9,186,032	7,931,885	1,254,147	200,000	243,266	443,266	2.83
1997 - 98	9,127,647	7,539,724	1,587,923	90,000	282,495	372,495	4.26
1996 - 97	9,572,030	7,544,395	2,027,635	85,000	286,108	371,108	5.46
1995 - 96	8,955,570	7,505,496	1,450,074	80,000	289,308	369,308	3.93
1994 - 95	7,173,804	6,696,627	477,177	80,000	292,008	372,008	1.28

- (A) Includes operating and nonoperating revenues
- (B) Includes total operating expenses exclusive of depreciation
- (C) Includes premium on calls

CITY OF WESTMINSTER

DEMOGRAPHIC STATISTICS

Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>(1) Population</u>	<u>(2) Median Age</u>	<u>(3) School Enrollment</u>	<u>(4) Unemployment Rate (%)</u>
2004	90,643	34.1	10,000	4.50%
2003	90,643	34.1	10,179	3.20%
2002	89,297	34.1	10,000	3.20%
2001	88,207	34.1	10,017	3.20%
2000	86,248	30.2	10,000	3.40%
1999	86,248	30.2	9,823	3.40%
1998	84,835	30.2	9,537	3.30%
1997	83,141	30.2	9,264	4.00%
1996	82,536	30.2	9,130	5.00%
1995	83,287	30.2	8,738	6.50%

Sources:

- (1) State Department of Finance
- (2) Demographic Research Unit, California Department of Finance - 1991 to 1994 not available
- (3) Westminster School District
- (4) State of California, Employment Development Department

CITY OF WESTMINSTER

PROPERTY VALUE, CONSTRUCTION AND BANK DEPOSITS

Last Ten Fiscal Years

Fiscal Year	Property Value (1)				Commercial Construction		Residential Construction		Bank Deposits (A)
	Commercial	Residential	Exemptions	Total	Number of Units	Value	Number of Units	Value	
2003 - 04	\$ 572,026,778	\$ 2,610,219,280	\$ 48,480,717	\$ 3,133,765,341	309	\$ 14,903,949	1,410	\$ 37,149,678	\$ 1,573,719,000
2002 - 03	483,836,165	2,701,392,045	48,480,717	3,136,747,493	308	16,717,588	153	20,039,992	1,398,472,000
2001 - 02	483,636,692	2,700,278,328	48,480,717	3,135,434,303	201	27,054,321	1,122	25,619,457	697,519,000
2000 - 01	834,662,461	3,111,732,153	58,532,823	3,887,861,791	247	25,486,187	921	6,292,430	1,122,274,000
1999 - 00	719,273,155	3,026,941,195	57,096,114	3,689,118,236	244	22,611,047	1,028	8,783,023	1,114,349,000
1998 - 99	379,035,903	3,005,213,232	53,868,508	3,330,380,627	136	4,707,893	1,080	47,021,962	1,039,032,000
1997 - 98	630,517,441	2,619,572,461	55,027,487	3,195,062,415	252	22,733,126	1,050	27,886,100	983,160,000
1996 - 97	623,964,724	2,609,013,121	46,592,627	3,186,385,218	256	9,028,802	1,067	24,352,596	981,011,000
1995 - 96	496,852,999	2,750,552,223	47,296,638	3,200,108,584	211	8,011,757	1,168	12,536,593	616,570,000
1994 - 95	634,445,603	2,503,267,565	40,174,235	3,097,538,933	236	8,439,514	931	9,656,974	626,814,000

(1) Estimated assessed value from Schedule of Assessed and Estimated Actual Value of Property

(A) Source: The Findley Reports

CITY OF WESTMINSTER

MISCELLANEOUS STATISTICAL INFORMATION

June 30, 2004

Date of Incorporation	1957
Population	90,643
Form of Government	Council/Manager
Total Number of Employees	281
Area in Square Miles	10.6
Name of Government Facilities and Services:	
Miles of streets	171
Number of street lights	4,687
Culture and Recreation:	
Community centers	1
Recreation centers	2
Parks	25
Park acreage	81
Tennis courts	11
Fire Protection:	
Number of stations	3
Number of fire personnel and officers (contract)	45
Police Protection:	
Number of stations	1
Number of police personnel and officers	149
Number of patrol units	23
Number of law violations:	
Physical arrests	2,384
Traffic violations	10,863
Parking violations	18,321
Water System:	
Miles of water mains	157
Number of service connections	19,987
Number of fire hydrants	2,611
Daily average consumption in acre feet	25
Maximum daily capacity produced by City in acre feet per day	60
Facilities and Services not Included in the Reporting Entity:	
Education:	
Number of elementary schools	13
Number of secondary schools	3
Number of instructors	513
Hospitals:	
Number of hospitals (long term acute care)	1
Number of patient beds	109

Source: City Departments of Finance, Community Development, Police, Public Works and Planning